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**THE  
COUNCIL OF STATE DEBATES**

**VOLUME I, 1934**

*(8th February to 27th April, 1934)*

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**SEVENTH SESSION**

**OF THE**

**THIRD COUNCIL OF STATE, 1934**



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# **Council of State**

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THE HONOURABLE SIR DAVID DEVADOSS, KT.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD.

} ***Members.***



## CONTENTS.

### Thursday, 8th February, 1934—

	Pages.
Members Sworn . . . . .	1
Death of Mr. Abdul Hamid . . . . .	1
Questions and Answers . . . . .	2—11
Statements laid on the table . . . . .	11—13
Messsages from His Excellency the Governor General . . . . .	13—14
Committee on Petitions . . . . .	14
Resolution <i>re</i> placing on record the deep sympathy of the Council with sufferers in the recent earthquake—Adopted . . . . .	14—19
Governor General's Assent to Bill . . . . .	19
Bills passed by the Legislative Assembly laid on the table . . . . .	19
Motion for the election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz—Adopted . . . . .	19—20
Statement of Business . . . . .	20

### Saturday, 10th February, 1934—

Question and Answer . . . . .	21—22
Bill passed by the Legislative Assembly laid on the table . . . . .	22
Nominations for the election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz . . . . .	22
Resolution <i>re</i> Indianization of the Indian Civil Service—Withdrawn . . . . .	23—35

### Tuesday, 13th February, 1934—

Questions and Answers . . . . .	37—38
Reserve Bank of India Bill—Motion to consider, adjourned . . . . .	38—69

### Wednesday, 14th February, 1934—

Members Sworn . . . . .	71
Questions and Answers . . . . .	71—78
Reserve Bank of India Bill—Motion to consider, adopted . . . . .	79—111

### Thursday, 15th February, 1934—

Reserve Bank of India Bill—Consideration of clauses and Motion to pass, adjourned . . . . .	113—46
---	--------

### Friday, 16th February, 1934—

Bill passed by the Legislative Assembly laid on the table . . . . .	147
Reserve Bank of India Bill—Passed, as amended . . . . .	147—63
Imperial Bank of India (Amendment) Bill—Considered and passed . . . . .	163—65
Statement of Business . . . . .	165

### Saturday, 17th February, 1934—

Question and Answer . . . . .	167—68
Presentation of the Railway Budget for 1934-35 . . . . .	168—73
Motion for the election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands—Adopted . . . . .	173



**Saturday, 17th February, 1934—contd.**

Motion for the election of four non-official Members to the Standing Committee on Emigration—Adopted . . . . .	174
Election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz . . . . .	174

**Monday, 19th February, 1934—**

Question and Answer . . . . .	175
Indian Tariff (Amendment) Bill—Considered and passed . . . . .	175—95

**Tuesday, 20th February, 1934—**

General Discussion of the Railway Budget for 1934-35 . . . . .	197—246
Election of four non-official Members to the Standing Committee on Emigration . . . . .	247
Election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the Department of Education, Health and Lands . . . . .	247

**Monday, 26th February, 1934—**

Questions and Answers . . . . .	249—50
Resolution re further revision and reduction of the new scales of pay—Negotiated . . . . .	251—58
Resolution re protection to the silk industry—Withdrawn . . . . .	258—67

**Tuesday, 27th February, 1934—**

Member Sworn . . . . .	269
Death of Sir Charles Watson . . . . .	269
Message from the Legislative Assembly . . . . .	269
Bills passed by the Legislative Assembly laid on the table . . . . .	269—70
Congratulations to the Honourable Rai Bahadur Promode Chandra Dutt on his appointment to the Executive Council of Assam . . . . .	270
Presentation of the General Budget for 1934-35 . . . . .	270—83
Statement of Business . . . . .	283

**Monday, 5th March, 1934—**

Member Sworn . . . . .	285
General Discussion of the General Budget for 1934-35 . . . . .	285—354

**Tuesday, 6th March, 1934—**

Questions and Answers . . . . .	355—67
Wheat Import Duty (Extending) Bill—Considered and passed . . . . .	367—73
Indian Medical Council (Amendment) Bill—Considered and passed . . . . .	373—75
Cotton Textile Industry Protection (Amendment) Bill—Considered and passed . . . . .	375
Steel and Wire Industries Protection (Extending) Bill—Considered and passed . . . . .	375—76
Statement of Business . . . . .	376

**Wednesday, 7th March, 1934—**

Questions and Answers . . . . .	377—82
Resolution re recruitment to the Indian Medical Service—Withdrawn . . . . .	382—96
Resolution re gold passes—Negatived . . . . .	396—403
Resolution re new scales of pay for the Imperial Services at reduced rates —Withdrawn . . . . .	403—11
Resolution re donation to Bihar Earthquake Relief Fund—Negatived . . . . .	411—21
Khaddar (Name Protection) Bill—Considered and passed . . . . .	422—24

**Monday, 12th March, 1934—**

Member Sworn . . . . .	425
Questions and Answers . . . . .	425—27
Death of Sir Thomas Ryan . . . . .	427—28
Resolution re survey of the position of Indian industries—Withdrawn . . . . .	428—37
Resolution re reference of important Government Bills to Joint Select Committees—Negatived . . . . .	437—54
Resolution re economy on State-managed Railways—Moved . . . . .	454

**Wednesday, 14th March, 1934—**

Member Sworn . . . . .	455
Resolution re economy on State-managed Railways—Withdrawn . . . . .	455—65
Resolution re laying of papers of the Joint Parliamentary Committee on the table—Withdrawn . . . . .	465—81
Resolution re communal representation on State Railways—Withdrawn . . . . .	481—86
Resolution re establishment of an Imperial Council on Co-operation— Withdrawn . . . . .	486—93
Request by Honourable Members for the allotment of an extra non-official day . . . . .	493

**Monday, 19th March, 1934—**

Question and Answer . . . . .	495
Death of Raja Sir Moti Chand . . . . .	495—97
Statement laid on the table . . . . .	497—98
Resolution re publication of the report of the Capitation Rate Tribunal, etc.—Withdrawn . . . . .	499—519
Resolution re composition of Indian delegations to imperial and interna- tional conferences—Withdrawn . . . . .	519—38
Statement of Business . . . . .	538

**Wednesday, 28th March, 1934—**

Members Sworn . . . . .	541
Questions and Answers . . . . .	541—62
Congratulations to the Honourable Sir Kurma Venkata Reddi on his appointment to the Executive Council of Madras . . . . .	563
Bill passed by the Legislative Assembly laid on the table . . . . .	563—64
Indian Trusts (Amendment) Bill—Introduced . . . . .	564—65
Indian Finance Bill, 1934—Motion to consider . . . . .	565—87
Bill passed by the Legislative Assembly laid on the table . . . . .	587
Indian Finance Bill, 1934—Motion to consider, adopted . . . . .	587—607

**Thursday, 29th March, 1934—**

Indian Finance Bill, 1934—Considered and passed . . . . .	609—31
Salt Additional Import Duty (Extending) Bill—Considered and passed . . . . .	631—35
Statement of Business . . . . .	636

**Thursday, 12th April, 1934—**

Members Sworn . . . . .	637
Questions and Answers . . . . .	637—45
Short Notice Question and Answer . . . . .	645—46
Statements laid on the table . . . . .	646—47
Bill passed by the Legislative Assembly laid on the table . . . . .	647
Motion for the election of six non-official Members to the Central Advisory Council for Railways—Adopted . . . . .	647
Motion for the election of one Muslim non-official Member to the Standing Committee on Pilgrimage to the Hejaz <i>vice</i> the Honourable Mr. Hossain Imam, resigned—Adopted . . . . .	648
Indian Trusts (Amendment) Bill—Considered and passed . . . . .	648—49
Statement of Business . . . . .	649

**Monday, 16th April, 1934—**

Member Sworn . . . . .	651
Short Notice Questions and Answers . . . . .	651—52
Ruling re putting of questions standing in the names of absent Members . . . . .	652—55
Statements laid on the table . . . . .	655—56
Motion for the election of one non-official Member to the Standing Committee on Emigration <i>vice</i> the Honourable Sir Kurma Venkata Reddi—Adopted . . . . .	656
Motion for the election of three non-official Members to the Standing Committee for Roads—Adopted . . . . .	656
Indian States (Protection) Bill—Motion to consider, adopted . . . . .	656—98
Election of one non-official Muslim Member to the Standing Committee on Pilgrimage to the Hejaz . . . . .	698
Nominations for the election of six non-official Members to the Central Advisory Council for Railways . . . . .	698

**Tuesday, 17th April, 1934—**

Member Sworn . . . . .	699
Questions and Answers . . . . .	699—700
Bill passed by the Legislative Assembly laid on the table . . . . .	701
Indian States (Protection) Bill—Considered and passed . . . . .	701—32
Statement of Business . . . . .	732

**Friday, 20th April, 1934—**

Questions and Answers . . . . .	733—45
Statement laid on the table . . . . .	746
Bill passed by the Legislative Assembly laid on the table . . . . .	747
Election of a non-official Member to the Standing Committee on Emigration <i>vice</i> the Honourable Sir Kurma Venkata Reddi . . . . .	747
Election of three non-official Members to the Standing Committee for Roads . . . . .	747
Election of six non-official Members to the Central Advisory Council for Railways . . . . .	747

**Friday, 20th April, 1934—*contd.***

Congratulations to the Honourable Sir Joseph Bhore on the successful termination of the Indo-Japanese Agreement . . . . .	748
Indian Tariff (Textile Protection) Amendment Bill—Motion to consider, adjourned . . . . .	748—803
Appendix . . . . .	804—06

**Saturday, 21st April, 1934—**

Questions and Answers . . . . .	807—09
Bill passed by the Legislative Assembly laid on the table . . . . .	809
Indian Tariff (Textile Protection) Amendment Bill—Considered and passed . . . . .	809—27
Resolution <i>re</i> Road Development Fund—Adopted . . . . .	827—35
Statement of Business . . . . .	836
Appendix . . . . .	837—38

**Thursday, 26th April, 1934—**

Question and Answer . . . . .	839
Congratulations to the Honourable Sir Harry Haig on his appointment as Governor of the United Provinces . . . . .	839
Death of Sir Sankaran Nair . . . . .	840—44
Statement laid on the table . . . . .	844—46
Result of the election of six non-official Members to the Central Advisory Council for Railways . . . . .	847
Trade Disputes (Extending) Bill—Considered and passed . . . . .	847—50
Sugar (Excise Duty) Bill—Considered and passed . . . . .	851—907
Sugar-cane Bill—Motion to consider, adopted . . . . .	907—30

**Friday, 27th April, 1934—**

Questions and Answers . . . . .	931—34
Death of the Right Honourable Sir Dinshaw Mulla . . . . .	934
Sugar-cane Bill—Considered and passed . . . . .	934—55
Matches (Excise Duty) Bill—Considered and passed . . . . .	955—63
Motion <i>re</i> Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement—Consideration adjourned . . . . .	964—68



THE  
**COUNCIL OF STATE DEBATES**  
(OFFICIAL REPORT OF THE SEVENTH SESSION OF THE THIRD  
COUNCIL OF STATE)

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VOLUME I—1934

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COUNCIL OF STATE.

*Thursday, 8th February, 1934.*

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The Council met in the Council Chamber of the Council House in New Delhi at Eleven of the Clock, being the first day of the Seventh Session of the Third Council of State, pursuant to section 63D (2) of the Government of India Act. The Honourable the President (the Honourable Sir Maneckji Dadabhoy, K.C.I.E., Kt., Bar.-at-Law) was in the Chair.

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MEMBERS SWORN :

The Honourable Mr. H. A. F. Metcalfe, C.S.I., C.I.E., M.V.O. (Foreign Secretary).

The Honourable Mr. J. B. Taylor, C.I.E. (Additional Finance Secretary).

The Honourable Mr. J. A. Hubback, C.S.I. (Bihar and Orissa : Nominated Official).

The Honourable Rai Sahib Pandit Gokaran Nath Ugra (United Provinces : Nominated Non-Official).

The Honourable Major-General C. A. Sprawson, C.I.E., K.H.P. (Government of India : Nominated Official).

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DEATH OF MR. ABDUL HAMID.

THE HONOURABLE THE PRESIDENT : Honourable Members, before we proceed with our prescribed business for the day I have to ask you to join with me in an expression of regret at the death of one of our colleagues, the late Mr. Abdul Hamid. He was an elected representative from Burma and joined the Third Council of State in 1930. He intended to attend the sitting of this Council today and had arrived at Peshawar after a long absence of 35 years to visit the land of his birth before attending this Council, but meanwhile the hand of death has taken him away. I feel certain that you all wish me to convey the unanimous sympathy of this Council to his bereaved family.

## QUESTIONS AND ANSWERS.

### CINCHONA BARK AND QUININE, ETC.

1. THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: (a) Will Government be pleased to state the quantity of cinchona bark in stock on 31st March, 1933? Has production been reduced as contemplated? What quantity of the bark has been worked off during 1932-33?

(b) What was the quantity of quinine in stock on 31st March, 1933?

(c) How much quinine was disposed of by sale during 1932-33, and at what rate? Did Government make any profit on the sale?

(d) Has the scheme to popularise the use of quinine tablets in glass tubes been a success? What are the areas in which it is in operation? What loss is likely to be entailed by its adoption on a bigger scale?

(e) Is it a fact that the cinchona plantations in Burma made a profit of Rs. 1½ lakhs during 1931-32? Was any profit made by plantations in Bengal and Madras? Did those plantations sell their products to the extent of Rs. 5½ and Rs. 6 lakhs, respectively, during that year?

(f) How much quinine was distributed free during 1932-33? Was any sold at a cheaper rate? What was the outlay on both these measures?

(g) Have Government received any reports from the Director of Malarial Survey and the Government of Madras on the observations undertaken to test the efficacy of totaquina in the prevention and treatment of malaria? Will Government be pleased to publish the same? Is it a fact that totaquina has been placed on the market by the Government of Madras? What is the form in which it is put up and the price at which it is sold?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: A statement giving the information desired by the Honourable Member is laid on the table of the House.

#### *Statement regarding stocks of cinchona bark and quinine, etc.*

(a) 7,35,071 lbs. All extension of plantings has been stopped. About 1,21,388 lbs.

(b) 2,82,789 lbs.

(c) 11,369 lbs. The rate varied from Rs. 18 to Rs. 20 per lb. A sum of Rs. 39,000 may be taken as the approximate profit on sales of quinine.

(d) The scheme did not commend itself to Local Governments and was dropped.

(e) The revenue from the sale proceeds of cinchona products exceeded the budget expenditure on cinchona plantations by Rs. 1½ lakhs during 1931-32. The Government of Madras report a profit of Rs. 29,790 in that year, and the Government of Bengal a profit balance of Rs. 2,10,564 for the same period. Products from the plantations in Madras and Bengal of the value of Rs. 5½ and 6 lakhs respectively were sold during 1931-32.

(f) The Honourable Member is referred to paragraph 18 of the Annual Report of the Public Health Commissioner for 1931, which gives the latest available information. A copy of the report will be found in the Library of the House.

(g) At the instance of the Director, Malaria Survey of India, arrangements are being made for experiments with totaquina as well as with the other alkaloids of quinine. The reports of medical officers in the Madras Presidency show that totaquina is as efficacious as quinine sulphate in the treatment of malaria. It has been placed on the market by the Madras Cinchona Department in powder form at the rate of Rs. 13-8-0 per lb.

AREA UNDER FOOD CROPS.

2. THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY : (a) Will Government be pleased to state whether the cultivation of food crops has increased *pari passu* with the growth of the population in India as revealed by the Census of 1931 ? What was the area under cultivation of food crops in 1932-33 as compared with 1921-22 ?

(b) Will Government be pleased to state what varieties and quantities of food grains were imported into India during each successive year from 1921-22 to 1932-33 and their value ?

(c) Will Government be pleased to state what provinces in India are deficient in the production of food crops, having regard to their population, and the causes of such deficiency ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : (a) No, but India still has a large not exportable surplus of food grains. The area under food crops in British India was 215 million acres in 1921-22 and 216 million acres in 1931-32, which is the latest year for which complete returns are available.

(b) The Honourable Member is referred to Volume 1 of the Annual Statement of the Sea-borne Trade of British India, copies of which are in the Library.

(c) As figures for inter-provincial rail-borne trade have not been compiled since 1921, I regret it is not possible to give a definite answer to this part of the question. The Honourable Member is, however, doubtless aware that some provinces are better adapted to the production of particular food-stuffs than others and that an interchange of agricultural products takes place between practically all provinces.

INDIAN MEDICAL SERVICE.

3. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Will Government be pleased to state the number of Indians and Europeans respectively, in the Indian Medical Service ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : There are at present 403 Europeans and 214 Indians with permanent Commissions in the Indian Medical Service. In addition there are 30 Indians with temporary Commissions.

WAR OFFICE AND ARMY HEADQUARTERS.

4. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government please state whether the functions of the War Office, London, and those of the Army Headquarters in India are identical in nature and importance ? Are the clerical personnel serving in the War Office in receipt of rates of pay in any way inferior to those admissible to clerical establishment employed in other principal departments of the British Government ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : The War Office in England is composed of various departments some of which correspond to



Army Headquarters in India, while others correspond to the Army Department and Military Finance Branch in this country. The civil service personnel employed in the latter draw the same rates of pay as civil service personnel in other departments of the British Government. On the other hand the clerical establishments in those departments of the War Office which correspond to Army Headquarters consist of soldiers and ex-soldiers with separate rates of pay of their own.

#### ARMY HEADQUARTERS.

5. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Will Government please state the reason why the clerical personnel serving in the Army Headquarters, India, receive rates of pay and are subject to other conditions of service which are inferior to those enjoyed by the ministerial establishment employed in the Army Department Secretariat and Military Finance Department ?

(b) Is it a fact that the personnel of the three departments mentioned are all employed on identical classes of work and that the work of the Army Department Secretariat is of a more routine character ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Because the nature of the duties on which the clerical establishments of Army Headquarters are employed is not the same as in the Army Department and the Military Finance Department.

(b) No.

#### ARMY HEADQUARTERS.

6. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that by a recent reorganisation of the clerical establishment of Army Headquarters, Indian clerks joining Army Headquarters service after 31st December, 1933 will have to serve on rates of pay far inferior to those prescribed for members of the British wing of the Indian Army Corps of Clerks ? Is the reason for this decision that Indians will in future be debarred at Army Headquarters from discharging superior clerical duties which will be reserved for British personnel ?

(b) Will Government please state the rates of pay that will be drawn by members of the British and Indian wings of the Indian Army Corps of Clerks and also state the reason for the difference in the rates between the two wings ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) Members of the British wing will have an advantage at the initial stages, but there is not much difference in the maximum rates admissible to members of both categories employed on purely clerical duties. In the earlier portion of their service the military personnel will be employed on more responsible work, but as the Indians advance in service the tendency will be for their work to approximate more and more closely to that on which military personnel are employed and for the difference between their rates of pay to get less and less. Indian personnel will certainly continue to be eligible for officer supervisor and higher appointments as hitherto.

(b) A statement is laid on the table.

The reason for the difference in rates between the two categories is that members of the British Army require higher rates of pay than Indians living in their own country, and also that they will start with military knowledge and some previous clerical experience. Military personnel are not even now employed on the routine duties performed by third division clerks.

*Statement showing the rates of pay of the Indian Army Corps of Clerks asked for in part (b) of question No. 6.*

MILITARY.						Pay of rank.
						Rs.
Sergeants . . . . .	.	.	.	.	.	210
Staff Sergeants . . . . .	.	.	.	.	.	250
Sub-Conductors . . . . .	.	.	.	.	.	335
Conductors . . . . .	.	.	.	.	.	370
CIVILIANS.						Rs.
<i>Upper Division—</i>						
Selection grade . . . . .	.	.	.	250—10/1—300		} <i>Plus</i> 20 per cent.
Ordinary grade . . . . .	.	.	.	100—7½/1—250		
<i>Lower Division</i> . . . . .	.	.	.	50—4/1—90 E. B. 3/1—120		

# ARMY HEADQUARTERS.

7. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that under the existing order of things, for doing the same work in the Army Headquarters the minimum pay drawn by a British soldier clerk is Rs. 190 per mensem, by a lady clerk Rs. 100 per mensem and by an Indian clerk Rs. 90 per mensem ? What is the reason for this discrimination ?

(b) Is it a fact that irrespective of the amount of pay drawn by a British clerk and a lady clerk, they enjoy second class travelling allowance in connection with the moves between Simla and Delhi and that this concession is denied to Indian clerks whose pay does not exceed Rs. 200 ? What is the reason for this discrimination ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) It is not a fact that the British soldier clerk on joining Army Headquarters does the same work as the Indian clerk. He has always had some previous clerical experience in military offices ; and his pay is fixed at the minimum on which it is reasonable to expect him to live in Simla and Delhi.

Lady clerks are given a starting pay of Rs. 100 in view of their sex, quite irrespective of nationality.

(b) According to rule 17 (c) of the Supplementary Rules made under the Fundamental Rules all Government servants in superior service in receipt of actual pay not exceeding Rs. 200 per month who are subject to the Fundamental Rules are third grade officers for the purpose of travelling allowance, but under Supplementary Rule 18 lady clerks, irrespective of nationality, are treated as second class officers for this purpose in consideration of their sex. British military clerks are not subject to the Fundamental Rules. They are governed by Military Regulations under which they are entitled to second class accommodation.

## DIRECTOR, REGULATIONS AND FORMS, ARMY DEPARTMENT.

8. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government please state the pay drawn by the Director of Regulations and Forms in the Army Department and the duties performed by him ? Does he prescribe regulations for the Indian Army ?

(b) What is the designation and pay of the corresponding appointment on the civil side ? If there is no such post there, to which post are such duties as the Director of Regulations and Forms performs for the Army, assigned ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) The Director, Regulations and Forms, receives the pay of his grade *plus* Rs. 400 per mensem. His duties are :

- (i) The co-ordination and review of all amendments to regulations, and also some original work in connection with the drafting of new sets of regulations for the Army in India.
- (ii) The control of forms.
- (iii) The control of expenditure on printing and forms and matters relating to office machinery.
- (iv) The superintendence of all matters relating to the establishments of Army and Royal Air Force Headquarters.

(b) As far as I am aware, there is no corresponding appointment in any other department, because no other department has so many regulations and forms to deal with.

## MASTER GENERAL OF THE ORDNANCE BRANCH, ARMY HEADQUARTERS.

9. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that the 11 warrant officers employed in the office of the Master General of the Ordnance at Army Headquarters as technical military clerks are not replaced during their attachment at Army Headquarters in the arsenals from which they were drawn ?

(b) Is it a fact that if duties assigned to men could be carried on without their presence for years together, such men are for practical purposes surplus ? If so, why have these 11 surplus men not been retrenched ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) and (b). No, Sir. There are only four technical clerks in the Master General of the Ordnance Branch who have not been replaced in arsenals. It is immaterial however where the clerks are employed. The point is that they are employed where they are most wanted, and they are not therefore surplus to requirements.

## MASTER GENERAL OF THE ORDNANCE BRANCH, ARMY HEADQUARTERS.

10. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that there is at present a dearth of work in the Master General of the Ordnance Branch and that officers and technical military clerks in that office are employed on work which, had there been enough work in the office, would fall to be dealt with by low paid clerks ?

(b) Is it a fact that the Assistant Master General of Ordnance (pay Rs. 2,050 per mensem) accompanied by a technical military clerk (a Conductor—pay Rs. 550 per mensem) proceeds to the Imperial Bank at New Delhi on the 1st of each month to help the Cashier of the office in drawing a few thousand rupees to pay the clerical establishment of the camp office ?

(c) Will Government please state whether such work as mentioned at (b) above is part of the technical work for which the technical military clerk in question is intended ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) Certainly not, Sir.

(b) In the absence of the Officer Supervisor of the Branch in Simla, the Assistant Master General of Ordnance, as the most junior officer in the camp office of the Master General of the Ordnance Branch in Delhi, attends the Bank with the Assistant Cashier to draw the pay of the office establishment. The presence of an officer is required by the Regulations. He is not accompanied by a technical military clerk.

(c) Does not arise.

#### FRAUD AND MISAPPROPRIATION ON THE EASTERN BENGAL RAILWAY.

11. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Is it a fact that there was recently a fraud and misappropriation of Government money in connection with the sale proceeds of cinders and scrap materials in one of the workshops on the Eastern Bengal Railway ?

(b) Will Government be pleased to state whether the Head Clerk and the Accounts Clerk were found guilty of the charges of misappropriation ? If so, will they be pleased to state what action was taken against them ?

(c) Is it a fact that the permanent records were destroyed in this case ? If so, by whom were they destroyed ? If so, has any action been taken against the persons concerned and, if not, why not ?

(d) Is it a fact that a departmental enquiry has been ordered in this case ? If so, what are the findings of this departmental enquiry ? Has any disciplinary action been taken against the persons concerned ?

(e) Will Government be pleased to state how this fraud was detected and by whom ? Has any reward been given to the persons responsible for the detection of this fraud ? If not, why not ?

THE HONOURABLE SIR GUTHRIE RUSSELL: I have called for information and will communicate the result to the Honourable Member in due course.

#### CYPHER BUREAU.

12. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Will Government be pleased to state if they have a Cypher Bureau ? If so, will Government be pleased to state what is the function of that Cypher Bureau ?

(b) Are there any Indians in the Cypher Bureau ? If so, how many ?

(c) If the answer to the first part of the question (a) is in the negative, will Government be pleased to state why Indians are not appointed and engaged in the Cypher Bureau ?

(d) Will Government be pleased to state if the Cypher Bureau will ever be Indianized ? If so, when ? If not, why not ?

**THE HONOURABLE MR. H. A. F. METCALFE :** (a) Yes. Its function is to encypher and decypher confidential and secret telegrams sent and received by the Departments of the Government of India and to keep in safe custody the various codes and cyphers.

(b) No.

(c) The rules of the London Foreign Office do not permit of certain of their codes being handled by Indians.

(d) Yes. Government hope to be able to commence recruiting Indians to the Cypher Bureau as soon as certain new codes now under preparation are ready for use.

**EXECUTIVE ENGINEER'S OFFICE, DACCA, EASTERN BENGAL RAILWAY.**

**13. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :** (a) Will Government be pleased to state why and when the Executive Engineer's Office of the Eastern Bengal Railway at Dacca was abolished ?

(b) Will Government be pleased to state the approximate amount of savings effected by abolishing the Railway Executive Engineer's Office at Dacca ?

(c) Will Government be pleased to state the strength of the clerical staff of the Railway Executive Engineer's Office at Dacca when that office was abolished ?

(d) Have they been provided for in other departments of the Eastern Bengal Railway Offices at Dacca ? If not, what have Government done with them ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) The Agent, Eastern Bengal Railway, reports that the office of the Executive Engineer, Dacca, will, as a measure of economy, be converted into a sub-divisional office from 9th February, 1934.

(b) There will be an approximate annual saving of Rs. 23,000.

(c) The strength of the clerical staff, including drawing office staff, is 17.

(d) Three of the staff will be retained in the Dacca sub-division and the rest will be absorbed in other districts of the Engineering Department.

**RETRENCHMENT IN THE DACCA-NARAYANGANJ AND MYMENSINGH-JAGANNATHGANJ SECTIONS, EASTERN BENGAL RAILWAY.**

**14. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :** Has there been any retrenchment of hands in the Traffic, Loco. and the Railway Engineer's Departments in the Dacca-Narayanganj and Mymensingh-Jagannathganj sections of the Eastern Bengal Railway during the financial year 1932-33 and till December, 1933 ? If so, how many hands were retrenched and why ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** Government have no information as regards the retrenchment carried out in the particular sections and departments mentioned by the Honourable Member. If any retrenchment has taken place, it must have been due to the fall in traffic.

GUARD E. I. WRIGHT, EASTERN BENGAL RAILWAY.

15. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Will Government be pleased to state whether there was a departmental enquiry against Guard E. I. Wright of the Eastern Bengal Railway attached to the Dacca-Mymensingh section for an alleged crime on a Muhammadan woman? If so, will Government be pleased to state the result of the enquiry, the facts of the case and how the said Anglo-Indian guard has been dealt with?

(For reply, see under question No. 16.)

GUARD E. I. WRIGHT, EASTERN BENGAL RAILWAY.

16. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Is it a fact that a certain young Muhammadan woman whose presumed motive was to commit suicide was, on the 9th August, 1933, found standing on the railway lines between Sen Bari and Ram-amritganj stations in the Dacca-Mymensingh section of the Eastern Bengal Railway by Guard S. C. Pal of Down train No. 284 and was handed over by him to the station master of Ram-amritganj for necessary action?

(b) Is it a fact that the said Muhammadan woman was sent by the said station master to Mymensingh along with a guard for handing over to the police there, and was taken over by the guard to the guards' running room and was confined there for immoral purposes?

(c) Is it a fact that the said woman is alleged to have been criminally assaulted by the guard in question?

(d) Is it a fact that on the complaint of the woman, the Railway Police Inspector of Saidpur, Eastern Bengal Railway, held an enquiry into the matter? If so, will Government be pleased to state the purport of his enquiry and what has become of his report?

(e) Is it a fact that the Sub-Inspector of Police of Mymensingh Kotwali Police Station also held an enquiry into the case and submitted a report to the higher authorities that the case was true?

(f) Is it a fact that on the strength of the police report, a case was instituted against the guard in question before the Sadar Sub-divisional Officer, Mymensingh?

(g) Is it a fact that the case was withdrawn for want of witnesses and was then referred to the Railway Department for punishment? If so, will Government be pleased to state whether any punishment has been inflicted on the said guard? If none, why?

(h) Is it a fact that the guard was temporarily suspended and then reinstated in his post?

(i) If so, will Government be pleased to state the reasons for the guard's temporary suspension and reinstatement in his post?

(j) If the case of the confinement and molestation of a young Muhammadan woman by an Anglo-Indian guard was found to be true or partly true by the authorities who enquired into that case, how do Government propose to deal with the case?

THE HONOURABLE SIR GUTHRIE RUSSELL: With your permission, Sir, I propose to answer questions Nos. 15 and 16 together.

Government have no information about the alleged crime. They expect that the administration of the Eastern Bengal Railway and the Provincial Government of Bengal will deal suitably with the matter.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** Will the Honourable Member institute an enquiry by the Department concerned as to what is the actual state of affairs and let the House know the result of such an enquiry in due course?

**THE HONOURABLE SIR GUTHRIE RUSSELL:** Government do not propose to enquire. This is a matter which is entirely within the competence of the Agent of the Eastern Bengal Railway.

#### PUBLIC DEBT OF INDIA.

**17. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** (a) Will Government be pleased to state the amount of India's Public Debt in sterling loans and in rupee loans up to 31st March, 1933?

(b) Will Government be pleased to state the different amounts of interest they paid during the last financial year and till December, 1933, on sterling loans as well as rupee loans?

(c) Are Government considering the possibility of converting the sterling loans into rupee loans? If so, what amount of the sterling loans will be converted into rupee loans and when?

(d) Will Government be pleased to state the percentage of sterling loans held by Indians and Europeans?

(e) Will Government be pleased to state the percentage of rupee loans held by Europeans in India and abroad and Indians?

**THE HONOURABLE MR. J. B. TAYLOR:** (a) and (b). The Honourable Member is referred to the monthly statement of the Rupee Debt of the Government of India published by the Controller of the Currency and to the half-yearly return of East India loans raised in England published by the Secretary of State. Copies of these statements have been placed in the Library of the House. The total debt charges paid during 1932-33 were on the Rupee Debt Rs. 23,46,90,386 and on the Sterling Debt Rs. 20,22,62,647. Figures for the current financial year are not yet available.

(c) This is the policy of Government so far as is practicable but it is impossible to give any forecast of future operations.

(d) and (e). The information desired by the Honourable Member is not obtainable.

#### TATA IRON AND STEEL CO., LTD.

**18. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** (a) Will Government be pleased to state the total amount of bounty given to Tatas by way of protection since 1923 up to the last financial year?

(b) What was and is now the capital of Tatas?

(c) Is it a fact that nearly as much amount has been given to Tatas as bounty and protection as was their capital when the Company was started?

(d) Will Government be pleased to state the amount of net profit of Tatas from the end of the war to the last financial year?

(e) Have Tatas been able to declare any dividend for the last financial year? If so, what is the amount?

(f) Is it a fact that Tatas once made a profit of Rs. 200 lakhs of which Rs. 166 lakhs were given away as dividends? If so, when?

THE HONOURABLE MR. T. A. STEWART. (a) Rs. 2,08,70,400.

(b) The authorised capital of the Tata Iron and Steel Company when it was first formed was Rs. 2,31,75,000. The authorised capital of the Company in 1932-33 was Rs. 10,52,12,500.

(c) Yes.

(d) A statement giving the information is laid on the table.

(e) The dividends declared during the last financial year were :

(i) On First Preference Shares . . . Rs. 9 per share.  
(ii) On Second Preference Shares . . . Rs. 5 per share.

(f) No, Sir.

Statement showing the net profits of the Tata Iron and Steel Co., Ltd., during the years 1918-19 to 1932-33.

	Lakhs of Rs.
1918-19 . . . . .	67.18
1919-20 . . . . .	115.31
1920-21 . . . . .	116.95
1921-22 . . . . .	88.38
1922-23 . . . . .	20.87
1923-24 . . . . .	31.32
1924-25 . . . . .	64.71
1925-26 . . . . .	95.73
1926-27 . . . . .	148.34
1927-28 . . . . .	109.81
1928-29 . . . . .	No profit Loss 6.8
1929-30 . . . . .	82.26
1930-31 . . . . .	99.13
1931-32 . . . . .	87.58
1932-33 . . . . .	121.85

# STATEMENTS LAID ON THE TABLE.

## INCOME-TAX OFFICERS, BENGAL.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I lay on the table information promised in reply to question No. 173, asked by the Honourable Mr. Jagadish Chandra Banerjee on the 11th September, 1933.

(a)

Serial No.	Names of Income-tax Officers and Assistant Additional Income-tax Officers.	Total period of service in the Department as Income-tax Officer upto 31st March, 1933.	Total period served in Calcutta upto 31st March, 1933.	Total period served in mofussil upto 31st March, 1933.
	<i>Income-tax Officers.</i>	Y. M. D.	Y. M. D.	Y. M. D.
1	Mr. J. C. Gupta . . . . .	11 0 0	6 3 14	3 8 28
2	" S. Ahmed . . . . .	10 7 13	8 8 2	1 6 10
3	" S. K. Ghosh . . . . .	10 8 0	7 7 17	2 6 4
4	" F. A. Robertson . . . . .	11 0 0	11 0 0	Nil
5	" Ahsanullah . . . . .	10 8 0	6 6 10	3 9 10
6	" K. P. Mukherjee . . . . .	11 0 0	7 5 13	2 3 27
7	" D. S. Bhattacharjee . . . . .	11 0 0	7 5 5	2 10 14
8	" K. C. Goswamy . . . . .	11 0 0	7 7 0	3 1 22
9	" P. N. Das Gupta . . . . .	11 0 0	8 1 18	2 3 26



Serial No.	Names of Income-tax Officers and Assistant Additional Income-tax Officers.	Total period of service in the Department as Income-tax Officer upto 31st March, 1933.	Total period served in Calcutta upto 31st March, 1933.	Total period served in mofussil upto 31st March, 1933.
		Y. M. D.	Y. M. D.	Y. M. D.
<i>Income-tax Officers—contd.</i>				
10	Mr. K. C. Gupta . . . .	11 0 0	5 4 6	4 2 25
11	„ D. B. Banerjee . . . .	11 0 0	7 6 4	2 9 28
12	„ B. M. Sen Gupta . . . .	11 0 0	2 10 15	7 10 15
13	„ N. B. Banerjee . . . .	11 0 0	4 2 23	6 1 12
14	„ M. Osman . . . .	10 8 0	4 9 9	5 5 5
15	„ S. G. Sen Gupta . . . .	10 8 0	2 6 7	7 9 8
16	„ M. Ameen . . . .	10 8 0	6 8 5	3 1 2
17	„ J. P. Gupta . . . .	10 8 0	4 7 27	5 9 12
18	„ A. K. M. Ehya Sadique . . . .	10 8 0	5 0 13	5 5 7
19	„ M. Ahmed . . . .	10 8 0	5 6 4	4 3 15
20	„ A. Khan . . . .	10 8 0	3 2 20	5 4 23
21	„ H. C. Choudhury . . . .	10 8 0	8 10 18	1 5 19
22	„ S. P. Roy . . . .	10 8 0	9 0 13	0 7 21
23	„ P. C. Dutta . . . .	9 6 8	9 6 8	<i>Nil.</i>
24	„ J. N. Sett . . . .	9 0 4	4 7 21	3 9 20
25	„ N. K. Paul . . . .	9 7 14	3 5 12	6 1 14
26	„ S. L. Nandi . . . .	9 5 3	8 1 16	0 6 14
27	„ Nuruzzaman . . . .	9 6 17	4 8 15	4 0 15
28	„ P. C. De . . . .	9 0 6	1 11 3	6 10 22
29	„ S. C. Choudhury . . . .	9 0 6	8 9 25	0 1 23
<i>Assistant (Additional) Income-tax Officers.</i>				
1	Mr. R. Som . . . .	8 1 16	7 3 28	..
2	„ A. M. Bose . . . .	9 0 5	3 3 3	5 5 20
3	„ S. K. Dhar . . . .	9 0 1	5 10 13	2 11 25
4	„ P. N. Mukherjee . . . .	9 0 0	3 11 26	4 9 3
5	„ M. K. Banerjee . . . .	8 10 6	4 3 3	4 4 7
6	„ S. J. Ahmed . . . .	8 9 27	4 4 9	4 2 0
7	„ M. Mannan . . . .	8 8 5	4 9 7	3 4 24
8	„ M. N. Roy Mitter . . . .	7 8 29	6 1 25	1 6 4
9	„ A. R. Mukherjee . . . .	7 8 28	4 10 12	2 8 7
10	„ S. P. Lahiri . . . .	7 8 28	2 4 17	5 2 11
11	„ J. C. Bhattacharjee . . . .	7 8 26	2 6 1	5 1 3
12	„ N. K. Banerjee . . . .	7 8 26	5 11 15	0 11 28
13	„ S. A. Khandkar . . . .	7 8 23	1 9 4	5 8 18
14	„ G. Rahman . . . .	7 8 19	3 7 14	3 5 24
15	„ A. Aziz . . . .	7 8 18	3 9 26	3 4 21
16	„ S. B. Roy . . . .	7 8 2	5 9 1	1 6 29
17	„ A. K. Mitter . . . .	7 0 0	5 0 28	1 5 25
18	„ H. K. Das Gupta . . . .	6 11 15	3 0 21	3 9 3
19	„ A. Islam . . . .	6 9 25	3 5 15	2 8 29

*Note.*—The periods of service in Calcutta and the mofussil taken together do not in most cases come up to the total service put in due to the exclusion of periods of leave taken by the officers from the entries in the last two columns.

(b) Yes. Three Income-tax Officers have served throughout in Calcutta.

(c) Mr. Martin now retired, and Mr. Phillippe now acting as Assistant Commissioner and Mr. Robertson have served throughout in Calcutta because of their special fitness for the districts to which they were attached.

(d) The present postings of the officers named were considered to be the most suitable in the general interests of administration.

**DEATH OF HARI PADA BAGCHI, DETENU IN THE DEOLI DETENTION JAIL.**

**THE HONOURABLE MR. M. G. HALLETT:** Sir, I lay on the table information promised in reply to question No. 279 asked by the Honourable Mr. Jagadish Chandra Banerjee on the 14th December, 1933.

(e) Yes, on the 12th August, 1933.

(f) The Chief Medical Officer, Ajmer, telegraphed to Prafulla Chandra Bagchi on the 22nd August, 1933, informing him of his brother's death.

**MESSAGES FROM HIS EXCELLENCY THE GOVERNOR GENERAL.**

**THE HONOURABLE THE PRESIDENT:** Honourable Members, I have four Messages to communicate to you from His Excellency the Governor General. The Messages are in the form of the following Orders :

The first Order :

**PANEL OF CHAIRMEN.**

*"In pursuance of the provisions of sub-section (2) of section 63A of the Government of India Act, I, Freeman, Earl of Willingdon, hereby nominate the following Members of the Council of State to be on the Panel of Chairmen of the said Council of State :*

*In the first place, the Honourable Mr. Ernest Miller ; in the second place, the Honourable Rai Bahadur Lala Ramsaran Das ; in the third place, the Honourable Mr. Bijay Kumar Basu ; and lastly, the Honourable Major Nawab Sir Mahomed Akbar Khan.*

(Sd.) WILLINGDON,

Viceroy and Governor General."

New Delhi ;

The 20th January, 1934. }

The second Order :

**RAILWAY BUDGET.**

*"For the purposes of sub-section (1) of section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Freeman, Earl of Willingdon, hereby appoint Saturday, the 17th February, for the presentation to the Council of State, and Tuesday, the 20th February, for the General Discussion in the Council of State, of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of Railways.*

(Sd.) WILLINGDON,

Viceroy and Governor General."

New Delhi ;

The 7th February, 1934. }

The third Order :

GENERAL BUDGET.

*"For the purposes of sub-section (1) of section 67A of the Government of India Act and in pursuance of rule 43 of the Indian Legislative Rules and of Standing Order 70 of the Council of State Standing Orders, I, Freeman, Earl of Willingdon, hereby appoint Tuesday, the 27th February at 5 p.m., for the presentation to the Council of State, and Monday, the 5th March, for the General Discussion in the Council of State, of the statement of the estimated annual expenditure and revenue of the Governor General in Council in respect of subjects other than Railways.*

(Sd.) WILLINGDON,  
Viceroy and Governor General."

New Delhi ;  
The 7th February, 1934. }

The fourth Order :

*"In pursuance of the provisions of sub-section (3) of section 67A of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Council of State when the Budget is under consideration.*

(Sd.) WILLINGDON,  
Viceroy and Governor General."

(The Messages were received by the Council, standing.)

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COMMITTEE ON PETITIONS.

THE HONOURABLE THE PRESIDENT : Under Standing Order 76 of the Council of State Standing Orders, I am required at the commencement of each session to constitute a Committee on Petitions consisting of a Chairman and four members. The following Honourable Members have at my request kindly consented to preside over and serve on the Committee. I accordingly have much pleasure in nominating as Chairman of the Committee the Honourable Raja Charanjit Singh and as members, the Honourable Khan Bahadur Syed Abdul Hafeez, the Honourable Sir David Devadoss, the Honourable Mr. Satyendra Chandra Ghosh Maulik and the Honourable Rai Bahadur Lala Jagdish Prasad.

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RESOLUTION *RE* PLACING ON RECORD THE DEEP SYMPATHY OF THE COUNCIL WITH SUFFERERS IN THE RECENT EARTHQUAKE.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, with your permission, I move :

"That this Council places on record its deep sympathy with all who have suffered in the province of Bihar and Orissa and elsewhere from the recent disastrous earthquake."

This earthquake took place on the 15th of January at about two in the afternoon. It is admitted on all hands that it was one of the very worst earthquakes that have taken place during living memory. It spread over a vast area—from Bengal to the Punjab and from Nepal down to Orissa. It

did a great deal of damage both in Nepal and in North Bihar. As investigation into the damage done proceeds our knowledge of the damage done continues to increase. According to the latest reports available the loss of life amounts to something over 6,000. The towns of Muzaffarpur, Darbhanga, and Monghyr have suffered most. As regards land, it appears that the area above and below Bhagalpur has practically been twisted. Roads and railways, have been, so to speak, twisted about and the general level also seems to have got tilted. It is difficult at present to assess all the damage done. This great calamity evoked a rapid and great response from all quarters. Government lost no time in taking steps to obtain information and to give relief. All Departments of Government co-operated and the civil administration is very much obliged indeed to the Army for the very efficient and generous response they made to the requirements of the civil in this connection. It is occasions like these where the catastrophe is exceptional, where a great trouble has overtaken the people, that call for a united effort on the part of all people and lead also to the co-operation of the people and the Government; they have a tendency to bring people together and also the people and the Government together. I am sure the House will agree with me that this is a matter in which the efforts made by Government have evoked an excellent response and we trust thereby the sufferers' troubles have been reduced very considerably.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, I rise to support the Resolution moved by the Honourable the Leader of the House on my own behalf and on behalf of the Party to which I have the honour to belong. Sir, as the Honourable the Leader of the House has said, the calamity was unprecedented in the history of India. We are very thankful to His Excellency the Viceroy for the prompt appeal he has made and to our countrymen who have risen equal to the occasion and are liberally subscribing to the Relief Fund in all possible ways. Sir, this relief will be only a temporary measure. We think that many years will be required to bring North Bihar to the state in which it was existing before this calamity occurred. For that, Sir, I hope Government will devise means for permanent relief in the way of remissions of revenue and rent as well as of giving loans at the cheapest possible rates of interest in order to build the demolished houses.

With these words, Sir, I support the Resolution moved by the Honourable the Leader of the House.

**\*THE HONOURABLE SIR KURMA VENKATA REDDI** (Madras: Nominated Non-Official): Sir, may I on behalf of Madras associate myself and the other representatives of Madras with what has been so well said and so pathetically represented by the Honourable the Leader of the House and the other Honourable Member who has just spoken. Sir, Bihar's loss is India's loss. It is a national calamity that has befallen us, and, as has been seen during the last few days, India is rising to a man to do all that she can to relieve stricken Bihar. Sir, it has already been pointed out that the calamity is of an unprecedented nature not only in this country but also, if you take into account the wide area affected—140 miles by 90 miles—in the whole history of the world's earthquakes. Fortunately, thanks to the prompt lead given by His Excellency the Viceroy and the action taken by the Government as well as by Indian leaders, both Indians and Europeans, the immediate needs have been met. Food and raiment have been found, wells which have

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\* Speech not corrected by the Honourable Member.

[Sir Kurma Venkata Reddi.]

been choked with sand are being cleared, medical associations and individual physicians and surgeons have rushed to the spot to see what help they can give to the injured persons amongst the survivors ; but the real work yet remains to be done. The real work consists in the reconstruction of the numerous houses in the various towns which have been levelled to the ground. Bridges, both of railroads and ordinary roads, have been demolished beyond recognition and houses are nowhere to be seen. It is a whole heap of debris in towns like Monghyr, Darbhanga and Muzaffarpur. Ordinary help will not do. I do hope that this country, man to man, every man and woman, will rise equal to the occasion and contribute as much as he or she can contribute. Speaking for Madras, Sir, I may assure this House and Bihar that that province will not be behind other provinces in what may be expected reasonably of her. We are not a rich people ; all the same we are willing to do our very best. The moment the news reached Madras province, His Excellency the Governor of Madras, our popular Governor, who was on tour, immediately returned to headquarters and issued an appeal to the country and followed it up by opening a branch to the Viceroy's Relief Fund. The *Hindu* and the *Madras Mail*, two influential journals in the province, have also opened Relief Funds, and sums are being, I think, subscribed liberally. Sir, there will be no difficulty so far as that province is concerned as in the case of other provinces. Let me for the present join others in giving expression to the sorrow that we all feel in the disaster which has overtaken unfortunate Bihar.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam : Non-Muhammadan) : Sir, having been through a similar experience myself some years ago I think I can more fully sympathise with our brothers and sisters in Bihar. On the 12th June, 1897, we had an earthquake in Assam which was at the time regarded as the most disastrous one. There was considerable loss of life and property and personally I suffered grievously. But compared to what has taken place in Bihar that earthquake seems to have been a mild affair. Our hearts go out to our brothers and sisters suffering in Bihar. All that we can now do is for each of us to contribute our mite to alleviate their sufferings. So far as Assam is concerned, His Excellency the Governor has taken the lead, and I am sure that Assam, although a poor province, will do its bit.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, may I also on behalf of the non-official Europeans in this House express our great grief and our sympathy with the victims of this terrible disaster and with their relatives ? I wish to associate myself with the Resolution that has been moved.

\*THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I rise to associate myself with all that has been said by the Honourable the Leader of the House and the other Honourable Members who have spoken in expressing our deep sense of grief and sympathy over the great calamity that has recently overtaken Bihar. Sir, the havoc caused by this earthquake was really tremendous and one which has never been experienced so far either in India or anywhere else in the world. Sir, tremendous harm has been done to those places where the earthquake took place. Not only has the earthquake caused a tremendous loss of life

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\* Speech not corrected by the Honourable Member.

but it has also caused great damage both to dwelling houses and communications in those places. Sir, it is gratifying to note that both the Government and the people in this country have risen equal to the occasion. The measures taken both by the Government of India and the Local Governments have been quite prompt and quite equal to the occasion. As far as our own province is concerned, as has already been remarked by my Honourable colleague, Sir Kurma Reddi, the Governor of our province has taken prompt steps to see that every possible measure is adopted to do everything possible to alleviate the sufferings of the people in those provinces. The *Hindu* and the *Madras Mail* have also opened funds with a view to subscriptions being collected in order to afford relief to the stricken people of Bihar.

\*THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, I heartily support the Resolution moved by the Honourable the Leader of the House on behalf of the Central Provinces and Berar and endorse every word that has fallen from the other speakers in this House.

Sir, our Governor has made an appeal and has started a fund to which you, Sir, and Lady Dadabhoj have liberally contributed. We have also started funds and the local journals of the Central Provinces are taking great interest in collecting funds and necessities for relieving the sufferings of Bihar. So far as the Central Provinces are concerned, I submit that the Central Provinces and Berar will not lag behind in supporting our brethren in Bihar and will do their best to relieve Bihar's sufferings.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, as a representative of Bihar I wish to thank the House for the sympathy which it wishes to convey. The calamity in Bihar, as has been pointed out by various speakers, is not of a local nature ; it is a national calamity, and as such I am happy to say that India has responded and taken up the cause as its own. Not only that. The Empire as a whole is going to take it up. The King Emperor has shown his sympathy by donating a handsome sum to the Viceroy's Relief Fund and the Lord Mayor of London has issued an appeal. It is to be hoped that this calamity will act as a cement and join all the different sections as it has already done in my province. Then, Sir, those who were out and out Congress men, who never wished to co-operate with Government, and those whose duty it has always been to be with Government, they have all joined hands. Leaders of the Congress and members of the Government are in daily contact. They are working together and doing everything to alleviate the miseries of the people, and in this humane cause they have forgotten their political differences. It is time, Sir, that not only lip sympathy should be shown but that Government should come out with concrete proposals and find ways and means to help Bihar to stand again on its feet.

With these words, Sir, I support the Resolution of the Honourable the Leader of the House.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, coming from the province of Bengal I have to associate myself with what has fallen from the lips of the Leader of the House and various other Members who have spoken this morning to what magnitude the population of the affected areas have suffered by the recent terrible earthquake. In this connection, Sir, in the Legislative Assembly the

[Mr. Jagadish Chandra Banerjee.]

President has started a fund to which all the Members of the Assembly have subscribed very liberally, and I should also like to suggest if it may be possible for you, Sir, to start a fund of that nature in the Council of State to which all Members may liberally subscribe.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, in the absence of the senior Members from Bombay I beg to associate myself entirely with the sentiments expressed by the Honourable the Leader of the House and other Honourable Members. The heartrending calamity which has overtaken India is of an exceptional nature and I believe the hearts of all people, both in India and all over the world, will go forth to the succour and support of the people involved in it. The City of Bombay has never lagged behind in such circumstances and I am glad to say that the fund started by the Mayor of Bombay has been very largely supported by several Charity Trusts, the mercantile community and private individuals. It is hoped that all the help which is needed will be forthcoming to rehabilitate the country and put the people on their feet. But I am afraid the question of public health will loom very large in the circumstances because the people have been deprived of their houses, they are living in the open or in temporary shelters and are likely to be hard hit by the inclement weather and through overcrowding. I am however confident that the Department of Public Health will take every possible precaution to minimise the risks involved in the matter and prevent all preventible illness.

With these few words, Sir, I heartily support the Resolution of the Honourable the Leader of the House.

THE HONOURABLE THE PRESIDENT : Honourable Members, before I put this Motion to the House I desire to associate myself with the expression of sympathy which this Resolution conveys and with the sentiments which have been expressed by the Leader of the House and Honourable Members. This has been the most disastrous event in India within living memory. The magnitude of the disaster can only be appreciated by reference to the salient and succinct report in which Dr. Dunn of the Geological Survey has summarized the situation. I will only read one paragraph from that report to the House which will convey to you the gravity of the disaster.

“This has been one of the biggest and most extensive earthquakes in history. The recent earthquake which shook almost the entire continent of India and took a heavy toll in the shape of human life and property, denuding populace cities and the property of the inhabitants and laying desolate an area in Bihar alone as big as that of Scotland and supporting five times its population.”

It is a matter of great satisfaction that all over the country deep sympathy has been aroused and every province in India has set to work rendering substantial relief to this much stricken province of Bihar and Orissa. You Honourable Members have also not only expressed your sympathy, but from the lists that I have seen printed in newspapers have already supported the Viceroy's Earthquake Fund liberally, and therefore there is no necessity for me to carry out the suggestion of our Honourable colleague Mr. Banerjee. The work of reconstruction will take many years and I yesterday received a heartrending letter from one of our Honourable colleagues the Maharajah-dhiraj of Darbhanga. He writes to me that he himself is rendered homeless and that he had to temporarily resign his seat in order to work for the people of his own province. I am glad to see from this morning's newspaper that

he has very liberally contributed a sum of Rs. 25 lakhs towards the reconstruction of Darbhanga. I have no doubt that towards the cost of reconstruction which will amount to many crores of rupees donations will be contributed not only by the wealthy classes but also by the poor. One thing I would like you to bear in mind in this connection and that is with reference to the middle class sufferers. It is the middle class of India who have suffered silently on account of the high commodity prices and in many other ways, and owing to their peculiar position some special provision should be made for the relief of sufferers of this class, because in the work of reconstruction the labouring and working classes who have equally suffered will at least find work and provision will be made for their maintenance in the meantime. It is the poor middle class sufferer who will find it difficult to tide over this troublous time. I therefore hope your sympathy and mercy will extend to those classes.

Resolution moved :

"This Council places on record its deep sympathy with all who have suffered in the province of Bihar and Orissa and elsewhere from the recent disastrous earthquake."

The Question is :

"That this Resolution be adopted."

The Motion was adopted.

#### GOVERNOR GENERAL'S ASSENT TO BILL.

SECRETARY OF THE COUNCIL: Sir, information has been received that His Excellency the Governor General has been pleased to grant his assent to the following Bill which was passed by the two Chambers of the Indian Legislature during the November-December session, 1933, namely :

The Indian Tariff (Second Amendment) Act, 1933.

#### BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 22nd December, 1933 and 31st January, 1934, namely :

A Bill to constitute a Reserve Bank of India ; and

A Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes.

#### MOTION FOR THE ELECTION OF TWO NON-OFFICIAL MUSLIM MEMBERS TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two Muslim Members to sit on the Standing Committee on Pilgrimage to the Hejaz."

The Motion was adopted.



**THE HONOURABLE THE PRESIDENT:** With reference to the Motion which has just been adopted by the Council, I have to announce that nominations for the Standing Committee on Pilgrimage to the Hejaz will be received by the Secretary up to eleven o'clock on Saturday, the 10th February, 1934.

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#### STATEMENT OF BUSINESS.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Leader of the House): There will be no business for tomorrow, Sir, and the List of Business for Saturday is already in the hands of the Honourable Members. Monday next being a holiday, the Council will not meet on that day. On Tuesday the Council will commence discussion of the Reserve Bank Bill and will, if necessary, continue the same on Wednesday and Thursday, while the Imperial Bank (Amendment) Bill will be taken as soon as the Reserve Bank Bill is finished. If any further Bills are in the meantime passed by the Legislative Assembly, further course of business during the rest of the next week will be stated in due course.

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The Council then adjourned till Eleven of the Clock on Saturday, the 10th February, 1934.

## COUNCIL OF STATE.

*Saturday, 10th February, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### QUESTION AND ANSWER.

#### INCOME-TAX DEPARTMENT, BENGAL.

19. THE HONOURABLE MR. MAHMOOD SUHRAWARDY (on behalf of the Honourable Khan Bahadur Syed Abdul Hafeez) : (a) Will Government be pleased to state whether the policy of maintaining the communal percentage was kept in view at the time of selection for the last retrenchment in the Income-tax Department, Bengal ?

(b) What were and are the respective percentages in each of the cadres (*i.e.*, the Assistant Commissioner, the Income-tax Officer, the Additional Income-tax Officer, the Examiner of Accounts, the Head Clerk, the Upper Division Clerk, the Lower Division Clerk, and the Orderly) of the Muslims in the Income-tax Department, Bengal, before and after retrenchment ?

(c) Is the proposed Muslim percentage of 45 per cent. in Bengal being given effect to ? If not, why not ? If the percentage is not being maintained, is it the intention of Government to maintain it in the near future ? If not, why not ?

(d) Have any and if so what instructions been given to the Income-tax Commissioner, Bengal, regarding Muslim representation in Bengal in the Income-tax Department and how are they being carried out ?

THE HONOURABLE MR. J. B. TAYLOR : (a) Yes.

(b) A statement giving so much information as is readily available is laid on the table.

(c) and (d). I would draw attention to the information in reply to parts (4), (5) and (6) of the Honourable Mr. Mahmood Suhrawardy's question No. 168 asked on the 11th September, 1933, which was laid on the table on the 14th December, 1933.

*Statement showing the communal composition of the staff of the Income-tax Department, Bengal, before and after retrenchment.*

	Before retrenchment.			After retrenchment.		
	Total strength.	Muslims.	Per-centage.	Total strength.	Muslims.	Per-centage.
Assistant Commissioners of Income-tax on Rs. 1,500—100—2,000 .	2	1	50	2	1	50
Assistant Commissioners of Income-tax on Rs. 1,000—100—2,000 .	3	..	..	2	..	..
Income-tax Officers .	35*	8	24·24	29	8	27·6
Assistant Income-tax Officers and Examiners of Accounts .	57	21	36·8	59 (six of them were officiating as Income-tax Officers in September last).	19	32·2
Ministerial .	386†	140	36·8	386	140	36·8

\*Two posts were lying vacant before retrenchment.

† Six posts were lying vacant in July, 1933.

### BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules I lay on the table copies of the Bill to regulate the use of the words "Khaddar" and "Khadi" when applied as a trade description of woven materials, which was passed by the Legislative Assembly at its meeting held on Thursday, the 8th February, 1934.

### NOMINATIONS FOR THE ELECTION OF TWO NON-OFFICIAL MUSLIM MEMBERS TO THE STANDING COMMITTEE FOR PILGRIMAGE TO THE HEJAZ.

THE HONOURABLE THE PRESIDENT: I have to announce the names of Members nominated for election to the Standing Committee on Pilgrimage to the Hejaz. They are :

- (1) The Honourable Khan Bahadur Chaudri Muhammad Din,
- (2) The Honourable Khan Bahadur Syed Abdul Hafeez, and
- (3) The Honourable Mr. Hossain Imam.

As the number of Members nominated exceeds the number to be elected an election will be necessary. I shall announce in due course the date on which the election will be held.

## RESOLUTION *RE* INDIANIZATION OF THE INDIAN CIVIL SERVICE.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

"This Council recommends to the Governor General in Council to take steps to increase substantially the percentage of recruitment of Indians to the Indian Civil Service with a view to secure the Indianization of the Indian Civil Service within a measurable distance of time."

Sir, it goes without saying that the Indian Civil Service is one of the most important Services, if not the most important Service, in this country. Recruitment to this Service is, as we know, made simultaneously in England and India on the basis of fifty-fifty per cent. recruitment of Europeans and Indians, respectively, according to the present arrangement. This scheme of recruiting Indian and European candidates in equal numbers to the Civil Service was, I understand, decided upon by the Government on the recommendation of the Lee Commission. But, as the Government must be aware, the country was strongly opposed to the appointment of that Commission, and Indian public opinion has never accepted the recommendations of that body. Let us see what has been the result of the scheme of recruitment to the Indian Civil Service that has been followed by the Government so far. In answer to a question asked by my Honourable friend, Mr. Jagadish Chandra Banerjee, in this House in the last session, the Honourable Mr. Hallett informed the House that the total number of Indian Civil Service officers in service on the 31st December, 1932, was 1,177, of whom 368 were Indians. Or, in other words, Indians form only about 31 per cent. of the total cadre of the Indian Civil Service. It will be interesting to recall in this connection that in 1911, when a debate was raised in the old Imperial Legislative Council on the position of Indians in the Civil Service, the total number of Civilians was 1,300, of whom 64 were Indians. That is to say, during the last 22 years there has been an increase of only about 300 Indians in the Indian Civil Service. It is obvious that at the present rate of recruitment—I mean in the ratio of 50 Indians to 50 Europeans—the Indian Civil Service will not be completely Indianized at any time in the future. This, Sir, is not a satisfactory position. I hope the Government will agree that it is a legitimate demand of India that Indians should be associated in ever-increasing numbers in the governance of their country. Advanced public opinion in India has in fact been demanding that British recruitment to the Indian Civil Service should stop altogether. But I do not go so far. I do not suggest that British recruitment should cease entirely, because I think it will not be an advisable step, at least for some time to come, circumstanced as India is at present. But what I suggest is that the pace of Indianization of the Indian Civil Service should be accelerated so that it may be possible to Indianize the Civil Service within a measurable distance of time. I think, Sir, this is by no means an unreasonable proposal. For, even in regard to the Indianization of the Army, it was the considered opinion of an authoritative body of experts who were appointed by the Government to conduct an inquiry and make recommendations, that it was possible to Indianize the commissioned posts within 30 years. Therefore, it should be much easier still to Indianize the Civil Service within that period, since there is no dearth of Indian university graduates who would make as competent public servants as Europeans. But I am not in my Resolution laying down any definite period for this purpose. I only wish to urge on the Government that their present policy by which the Indian Civil Service will never be completely Indianized at any time in the future should be replaced by a scheme

[Rai Bahadur Lala Jagdish Prasad.]

which may accelerate the pace of Indianization with a view to secure the Indianization of the Indian Civil Service within a measurable distance of time. Mark the words "measurable distance of time", so that I am leaving the question of time entirely to the discretion of the Government, only hoping that it will be a reasonable period. Thus the Council will see that my proposition is an eminently reasonable one and ought therefore to commend itself to the House.

THE HONOURABLE THE PRESIDENT : Resolution moved :

"This Council recommends to the Governor General in Council to take steps to increase substantially the percentage of recruitment of Indians to the Indian Civil Service with a view to secure the Indianization of the Indian Civil Service within a measurable distance of time."

Honourable Mr. Banerjee, you have got a Resolution which is styled an amendment but which is really in the nature of an alternative Resolution. I call upon you now to address the House, but I would request you to bear in mind that you will have only 15 minutes' time as your Resolution is in the nature of an amendment.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, the amendment that stands in my name runs thus :

"That for the original Resolution the following be substituted, namely :

"This Council recommends to the Governor General in Council to take steps to increase substantially the percentage of recruitment of Indians to the Indian Civil Service and especially to increase the percentage of recruitment of Indian members of the Civil Service in the superior posts of the Government of India Secretariats with a view to secure the Indianization of all posts reserved or usually held by the Indian Civil Service within a period of ten years."

In moving my amendment, Sir, I heartily thank the Honourable Rai Bahadur Lala Jagdish Prasad for giving us this opportunity of bringing to the notice of the Government the fact about their not being very vigilant over the question of Indianization. I know that unless and until the whole system of administration is thoroughly overhauled and changed the mere Indianization of posts will not bring us to our goal of *Svarraj*. I admit that at the present moment the major portion of the administration of the country is run by my own countrymen in the subordinate services and still the position of Indians within and abroad remains what it was during the days of the East India Company. This state of affairs is only due to the system of the bureaucratic administration. In this present wheel of administration everyone, be he an Indian or an European, shapes himself into the wheel and after a time there remains no distinction between a brown or a white bureaucrat to choose between the two. Still I have my reasons for this demand of Indianization of the cadre of the Indian Civil Service. My friend the mover of the Resolution desires Indianization of the cadre of the Indian Civil Service at a more rapid pace and I know the Government will come forward with a long list of their arithmetical proportions by which Indianization is going on apace according to a definite programme chalked out by the Lee Commission. I admit that Indianization is being carried out from below and if we are to wait to have the full effects of this type of Indianization it will take another 25 or 30 or even 50 years before we can appreciably see a larger number of Indian members of the Indian Civil Service in the sacred rooms reserved for Secretariat officers.

The subject-matter of my amendment is not a new one. It is a twice-told tale. It is as old as the year 1911 when the Honourable Mr. Subha Rao moved a Resolution that Indians should be employed on a larger scale in higher offices of the public service. The Honourable Mr. Earle in replying to the debate on behalf of the Government said as follows :

"There is nothing to prevent the Government of India from appointing a Secretary to the Government of India from among the ranks of Indian officials if they think fit".

Then on the 15th September, 1921, the attention of Government was drawn to this question of Indianization by a question put by Mr. Joshi in the other House which revealed the following facts in connection with the posts in the Indian Civil Service. Sir, I think it will take some time to read this information which is contained in the debates of the Legislative Assembly. I will refer my Honourable friends to those debates. I will not waste the time of the House by reading it.

From the statement I have just referred to, it is revealed that in nine years Indians will attain the maximum percentage of posts open to them which was 48 per cent. according to the orders which existed then. That being so, I think by 1930 48 per cent. of the posts are held by Indians and as such we could very well expect to see at least that percentage to be reflected in the higher posts of the Government of India Secretariats but, Sir, I will presently show that the number of Indians holding such posts are decreasing probably in inverse ratio with the number of years or if not it remains more or less where it was then. On the 26th of September of the same year, i.e., 1921, the Honourable Saiyid Raza Ali brought in a Resolution in this House on the subject of Indianizing the posts of Secretaries, Joint Secretaries, Deputy Secretaries in the Army, Marine, Education, Foreign, Political and Public Works Department of the Government of India. In the course of replying to this debate the Honourable Mr. Craik on behalf of Government stated amongst other things as follows :

"As I say, Indians are eligible for all the posts mentioned in the Resolution and the sole test of selection for those posts is to select the fittest man, be he English or be he Indian".

Sir, I may remind the House that the Honourable Mr. Craik in the year of grace 1921 repeated exactly what the Honourable Mr. Earle stated in the year of grace 1911.

On the 11th February, 1922, the question of the Indianization of the Services was again brought before the Government in the House by a Resolution moved by Mr. Jammadas Dwarkadas and I need not go into it in detail. On the 16th January, 1923, a question was again asked in the Legislative Assembly and what Government said in their reply is contained in the debates of the Legislative Assembly for 1923 and I do not propose to read it for want of time. Here, again, the Government's reply was the same stereotyped reply to the effect that the man best fitted for the post should be selected.

On the 19th February, 1923, another Resolution regarding opportunities to Indians for qualifying for the appointments of Secretaries, Joint Secretaries, Deputy Secretaries and Under Secretaries was brought before the House by the Honourable Saiyid Raza Ali.

On the 28th February, 1923, the Right Honourable Srinivasa Sastri again moved a Resolution for the appointment of at least one Indian member of the Indian Civil Service as Secretary, Joint Secretary or Deputy Secretary

[ Mr. Jagadish Chandra Banerjee.]

in every section of the Government of India. Sir, as usual on that occasion the Honourable Mr. (now Sir James) Crerar, the Home Secretary, used the same well worn terms and which is as follows :

“ But I do not think I am doing more than stating an obvious and palpable fact when I say that to the Departments of the Government of India are entrusted in a very exceptional degree and in a very exceptional sense many of the highest interests of the Indian public and of the State. If that is so, I do not think it is a questionable inference to draw that in making appointments to these departments the Government of India must adhere scrupulously and strictly to the principle of selection on the basis of proved merit and ability ”.

The Indian Legislature either in this House or in the other House did not lose sight of this question and on the 10th September, 1924, Sir Purshotamdas Thakurdas put a question on the subject but I will not read that question and other interpellations for want of time.

On the 30th January, 1925, again Mr. Jamnadas Mehta put another question on the same subject as my amendment which also I am not going to read.

This question was kept in front of the Government of India all these years and as the list of questions and answers will be too long to enumerate here in detail I will simply refer to two other questions put on this subject on the 6th September, 1932 and 7th November, 1932, in the other House as to the progress of Indianization of these Secretariat appointments. I was rather surprised to find, Sir, that the number of Indian officers have been decreased rather than increased in such posts and at the present moment are lesser in number when compared with the year 1923. To make the position clearer I am giving a comparative statement of Indians and Europeans holding Secretariat appointments in 1923 and 1933. The 1923 figures are the figures given by Sir Phiroze Sothna in this House in 1923 when speaking on the Resolution moved on this subject by the Right Honourable Srinivasa Sastri and the figures of 1933 have been taken from the Government of India Directory published by the Home Department in November, 1933.

In the year 1923 in the Foreign and Political Department there were no Indians.

In the year 1933 in the Foreign and Political Department there is only one officer from the Accounts Service whose duty it was to look after the Budget of the Department.

In the year 1923 in the Education, Health and Lands Department an Indian was Deputy Secretary temporarily.

In the year 1933 in the Education, Health and Lands Department there were three Indians filling the five Indian Civil Service appointments, i.e., one Secretary, one Joint Secretary and one Officiating Additional Deputy Secretary. In this Department only is progress satisfactory and is probably due to the fact that the Department does not deal with high political policies of the State.

In the year 1923 in the Army Department there were no Indians.

In the year 1933 in the Army Department there were no Indians though there are two Indian Civil Service appointments.

In the year 1923 in the Home Department there were no Indians.

In the year 1933 in the Home Department one Indian Deputy Secretary out of five Indian Civil Service appointments.

In the year 1923 in the Legislative Department there was one non-Indian Civil Service Indian Deputy Secretary.

In the year 1933 in the Legislative Department there were no Indians in the three Indian Civil Service appointments.

In the year 1923 in the Commerce Department there were no Indians.

In the year 1933 in the Commerce Department there were two Indians. One was the Member in charge, the Honourable Sir Joseph Bhore and the other a Deputy Secretary. There are five Indian Civil Service appointments in the Department.

In the year 1923 in the Industries and Labour Department there was an Indian Secretary.

In the year 1933 in the Industries and Labour Department one Indian Under Secretary held one of the five Indian Civil Service appointments.

In the year 1923 in the Finance Department one Indian Under Secretary and one Indian Deputy Secretary, both non-Indian Civil Service.

In the year 1933 in the Finance Department one Budget Officer, non-Indian Civil Service, out of nine Indian Civil Service appointments including the Central Board of Revenue and Military Finance.

I think it will be agreed that Indianization of the Indian Civil Service is going apace but the pace at which it is moving is not what we want. It is not what the country demands. We want acceleration of the process of Indianization. In the proposed constitutional reforms we are going to have full provincial autonomy and a partial responsible government at the centre. Is it any wonder that just on the eve of these momentous constitutional changes we demand rapid Indianization of the Indian Civil Service. But, Sir, that is not all. As I have already said I want Indianization both from below and from the top. By the top I mean the posts in the Government of India Secretariats. We do not like to be lulled to sleep by those well worn epithets of Government, *viz.*, posts in the Government of India Secretariat must be filled with men best fitted for them. Sir, taking into consideration the dwindling number of Indian Secretaries and Deputy Secretaries and Joint Secretaries do Government want us to believe that amongst the present Indian members of the Indian Civil Service there are no competent men fitted for such posts. If they think so let them throw off their mask and openly declare it so or otherwise let them admit that such posts in the salubrious hill station of the summer headquarters must be reserved for Europeans. I am surprised, Sir, that efficient Indians can be found to fill the posts of Governor, Executive Councillors and Ministers and only for the few posts of Secretaries, Joint Secretaries and Deputy Secretaries suitable Indians even from the ranks of the heaven-born Indian Civil Service are not available! Government should not forget that the India of today is not the India of 25 years ago and therefore the catch phrases which satisfied Indians of a decade ago cannot satisfy the country now. Therefore, Sir, I commend my amendment for the acceptance of the House.

**THE HONOURABLE THE PRESIDENT :** Substituted Resolution moved :

“That this Council recommends to the Governor General in Council to take steps to increase substantially the percentage of recruitment of Indians to the Indian Civil Service and especially to increase the percentage of recruitment of Indian members of the Civil Service in the superior posts of the Government of India Secretariats with a view to secure the Indianization of all posts reserved or usually held by the Indian Civil Service within a period of ten years.”



[Mr. President.]

The debate will now take place simultaneously on both these Resolutions. After hearing the debate it will be open to me to put either of these Resolutions to the House.

THE HONOURABLE MR. M. G. HALLETT (Home Secretary): Sir, I am grateful to you for allowing these two Resolutions to be discussed together, although the amendment moved by the Honourable Mr. Banerjee raises an entirely different question from the very important issue raised by the Resolution of the Honourable Rai Bahadur Lala Jagdish Prasad. The main Resolution raises an important issue which is prominently before the country at the present time and is one of the most important questions being considered by the Joint Select Committee in London and it is a clear-cut and definite issue that Indians should be recruited in greater numbers than at present to the Indian Civil Service. Mr. Banerjee raises what I might almost call a side issue; that is to say, he recommends that within the Service itself more Indians should be appointed to the posts such as I and my colleagues on the Government Benches at present hold. I recognize that that question has been discussed frequently in the past. I am afraid I have not gone as far back as he has into the previous discussions, but I had gone back to the discussion in 1923 on the Right Honourable Mr. Sastri's Resolution debated and adopted by this Council. The Honourable Mr. Banerjee has explained the view taken by Government at that time. Perhaps I may somewhat amplify the points that were then made. Whatever may be the method of recruitment to a service, whatever proportions may be fixed for different races or nationalities or communities for initial recruitment, it is a recognized principle of Government that within a service promotion shall be made strictly on merits and irrespective of all other considerations. That is a fundamental principle which is followed by Government in all their services; it must be followed, otherwise there might be a grave deterioration of the public service. Officers enter the Service on this understanding and they understand that all appointments are to be made on considerations of their merits. Now, the posts under the Government of India are selection posts, posts for which officers have to be selected with great care. After the debate in this House in 1923 the whole question was considered and I think I may make the position of Government clear to the House by reading out the orders that were then issued. What was stated at that time was as follows:

"The principle adopted in filling the posts in the Government of India Secretariat has always been that experienced and suitable men should be selected and in the majority of cases a previous training in the Provincial Secretariats has been regarded as necessary. His Excellency the Viceroy has directed that on the occurrence of vacancies in the appointments mentioned in the Resolution, the possibility of obtaining a suitable and competent Indian officer from the Provincial Secretariats should be definitely considered. In pursuance of this object, he desires that on every occasion on which Local Governments are asked to submit names for nomination to Secretariat appointments in the Government of India, they should be asked to give the names of Indian officers, where suitable, as well as of Europeans."

Those were the orders issued in 1923 and those orders have been faithfully carried out by the various Departments of the Government of India. But the Honourable Member has argued that the results have not been satisfactory. I quite admit that there are at present more British officers holding Secretariat posts and superior Secretariat posts in the Government of India than Indians. There are, however, Indians in practically every department holding high and responsible posts and the claims of Indians have not been in any way neglected. What then is the reason why we have so few Indians

in the Secretariat posts ? It is really I think a perfectly simple one. At the time when I and my fellow Secretariat officers were recruited to the Service the total number of Indians recruited to the Service was very small. I think in my year there were about 50 or 60 British officers recruited and probably only three or four Indians and the same thing happened in subsequent years—in fact during all the time up to and after the Great War in 1914-18. It was only in recent years practically since 1923 when the Lee Commission proposals were adopted that Indians have been recruited in larger numbers to the Indian Civil Service and in equal proportion to Europeans. Now, a Secretary or a Joint Secretary has to be an officer of considerable seniority—15, 18, 20, 25 years—and with seniority of those years there are very few Indians in the Service ; even for the posts of Deputy Secretaries, there are few Indian officers available for, as I have pointed out, recruitment of Indians in large numbers only began about 1923—that is ten years ago—so an officer of ten years' service has certainly hardly got sufficient experience for the post even of Deputy Secretary. One of the qualifications is that he should have experience of a Provincial Secretariat ; it is desirable also that he should have general district experience. It is generally only after about 15 years' service that he is qualified for the post of Deputy Secretary in the Government of India, so that it is due to circumstances, due to the history of the past, that we have so few, comparatively few, Indians in the Secretariat. The position will rectify itself in time because you will have more Indians rising in position and in seniority who will be available to fill these posts in the future and I can well anticipate that in four or five years hence or even in a shorter time there will be far more Indians in the Secretariat than there are at present. The Honourable Mr. Banerjee has quoted statistics showing the number in the various departments. I do not propose to follow him into all these statistics, but I think I may again assert that the principles laid down by His Excellency the Viceroy in 1923 have been fully carried out and that every effort is made to secure suitable Indians for these Secretariat posts. But I would again emphasise the fact that these posts are selection posts, that appointments are made to them on considerations of the merits of various officers and it would be undoubtedly hard on the British members of the Service if they were held to be ineligible for appointment to these posts. I am certain that their Indian colleagues in the Service itself would not agree to any such system. If promotion is made by merit, it must be merit alone and in view of no other considerations and I feel certain that in a short time we shall have Indians who have obtained these posts fully on their merits.

All that I have said up to now relates really to the subsidiary question and I will now get back to what is the main Resolution and which I agree raises a very important subject, that is to say, that there should be more recruitment of Indians to the Indian Civil Service in order to secure the Indianization of the Indian Civil Service within a measurable distance of time. This question, as the Honourable mover of the Resolution reminded us, owes its origin to the proposals of the Lee Commission in 1923. He contended that that Commission was not acceptable to Indian opinion. Sir, our experience is that the reports of very few Commissions are acceptable to Indian opinion. However that may be, the recommendation of the Lee Commission was that we should recruit at the ratio of 50 Europeans and 50 Indians till the Service consisted of half Europeans and half Indians and it was anticipated that that result would be obtained in about 1939. That proposal was accepted by Government. It has been reconsidered and was accepted by the Statutory Commission. I recognise that the Report of the Statutory Commission is no more acceptable to Indian public opinion than the Report of the Lee

[Mr. M. G. Hallett.]

Commission. It was accepted by the Government of India and all Local Governments at the time when they were considering the Constitutional Reforms and the proposals contained in the Simon Report. The majority of the Services Sub-Committee of the Round Table Conference agreed that there should be a continuance of British recruitment and I am glad to see that my friend the Honourable Rai Bahadur Lala Jagdish Prasad supports that view. There was also a minority on that Committee which agreed that the ratio of recruitment should be maintained as at present. Finally, these proposals were accepted by His Majesty's Government and have been embodied in the White Paper which is now under the consideration of the Joint Select Committee. I quite admit that these decisions are in no way binding on this Council. I have no desire to ask them to accept them simply because they have been accepted by these influential bodies. But I would pass on to the point as to what has been the effect of the proposals of the Lee Commission and how Indianization stands at present. That is really the important point. The Honourable Rai Bahadur Lala Jagdish Prasad drew a somewhat pessimistic view of the situation and contended that we had made very little progress and I think that the Honourable Member contended that the position was not much better than it was in the days of the East India Company. The figures which I have before me show that there has been a very great change made in the constitution of the Indian Civil Service since the Lee Commission proposals were adopted in 1924, only nine or ten years ago. At the end of 1925 the proportion of British officers to Indian officers was 77 to 22. On the 1st January, 1933, a year ago, it was 63 to 37. That is to say, the number of British officers had decreased from 966 to 819, while the number of Indian officers had increased from 283 to 478. I think therefore there is very little doubt that in the near future we shall be getting up to a Service of which quite half the members are Indians. These figures by themselves quoted in the abstract are possibly slightly misleading. The actual position in the provinces is very often rather different, because it must be remembered that the Indian Civil Service not only consists of the officers working in the various provinces but that also of a large number of officers employed in miscellaneous posts, in the Foreign and Political Department and other Departments of the Government of India, and consequently actually in a province itself the percentage of Indians to Europeans is often greater than appears from these total figures. In support of that view I would like to quote a report which I have received from a province which shows to what extent and how rapidly Indianization has proceeded in recent years. This is a report from the Government of Madras but I think the same position exists in very many other provinces of British India. They report that as the Indian Civil Service cadre of this province stands at present, among the officers of from 12 to eight years' service, that is, officers who are just beginning to hold the important post of Collector, there are 20 Indians as against five Europeans. Of the latter three are serving under the Government of India and one has announced his intention of retiring as soon as the new constitution is inaugurated. It follows therefore that from 1934 there is likely to be an almost unbroken flow of Indians to fill the posts of Collectors and District Judges for a period of five or six years. That, I think, is a very good example of what has been the effect of the policy adopted by Government as a result of the Report of the Lee Commission and as a result of the efforts made previous to that Commission to increase the number of Indians in the Service. We have got in the provinces a very large number of Indians holding these responsible district posts. After all, the district officer is the keystone

of the administration and they are holding these posts with credit and success. But the facts that I have quoted show clearly that Indianization has got to a stage when Indians hold in a province very many of the most important key posts.

Another point that I would make is that we shall very soon get up to or above the fifty-fifty ratio because in the last few years we have had to recruit a larger number of Indians than we have of British officers. During the last four years for example, we have recruited 195 officers in all out of whom 80 were British officers and 115 Indian officers, that is to say, there were 35 more Indian officers than British officers. If recruitment goes on on these lines it is very probable that even before 1939, the date fixed by the Lee Commission, the constitution of the Service will have reached the fifty-fifty ratio of Europeans and Indians. We cannot tell what will happen under the new constitution, we cannot tell what will happen in the next few years. It may be that, as in the years 1921-22, a large number of British officers may take the opportunity (I regret to make such a forecast) of retiring to their own country on a proportionate pension. If they go in large numbers, their place will be taken by Indians recruited under the present system. 70502

Another point I would make is this. We are cutting down our recruitment to the Indian Civil Service as much as possible and, although in the old days we used to recruit some 50 or 60 annually, now our recruitment figure is much lower and I anticipate that in the future we shall not recruit many more than about 40 officers in all a year; that would mean that we would only recruit, if we maintain the ratio, 20 British officers. Now, the proposal contained in the White Paper is that the present ratio should be maintained till five years after the institution of the new constitution, that is to say, six or possibly seven years hence. In that period you will only get 100 to 140 British officers. Is that a very large number? I have tried to show that Indianization is going on very rapidly. If we accept the view—and the Honourable the mover of the Resolution does I think fully accept that view—that there should be a nucleus of British officers in the Service, do we want to abandon the present system which is giving us on the whole such satisfactory results, which has resulted in the ten years in which it has been in force in making a very material change in the constitution of the Service? It is effecting the object which Government have in view of ultimately making the Indian Civil Service an Indian Service. But are we wise to make a change in the percentage of recruitment at this stage? The view that has frequently been put forward during the discussions in the Round Table Conference and in the Joint Select Committee is that we do not want to make big administrative changes at the same time as we are making a very big constitutional change. Surely that policy is wise? Will it not be far better to leave this question of the number of Indian recruits and the number of British recruits to be decided as proposed by the White Paper by a Royal Commission? I may here make a quotation from the Secretary of State's evidence on that point before the Joint Select Committee. He was arguing in favour of the view that the discussion of this question and other kindred questions might be left to the Commission which it was proposed to appoint five years after the institution of the new constitution.

"I think we shall have the five years' experience of the autonomous governments in the provinces. We shall see how things are going; we shall see what is the state of public opinion; we shall see what is the state of law and order. My own view would be that when the immediate excitement of the initiation of the constitution has blown over, both sides will look much more calmly at these problems than they could now. I would have said that in about five years time we should have quite a considerable amount of data for the specific point for which the inquiry is needed, namely, what is the best way of recruiting officials for the Secretary of State's services in the future."

[Mr. M. G. Hallett.]

Finally, there is one point that I would make which I think is in favour of these questions being decided five years hence when the new Provincial Governments have got firmly established and when they know their needs. And that is this : this problem of the recruitment of Indians and Europeans is interconnected with many other important problems of the recruitment of the two security Services, the Indian Civil Service and the Indian Police. There is the important question whether recruitment of Indians should continue to be on an all-India basis, as it is at present, or whether it should be on a provincial basis ? At present we do experience some difficulty by reason of the predominance of candidates from certain provinces of India. It may be desirable and in my view it will be desirable, and would be more in accordance with the principles of provincial autonomy that officers recruited for Services in a province should come from that province and not from some province outside. That is a very important question and it is clearly a question which should be decided in the light of the experience of future Provincial Governments.

Those, Sir, are the points I wish to make. Briefly, they are that the present system has achieved the object with which it was started, that Indianization is going ahead very rapidly and that certainly by 1939, or possibly before that date, the Service will consist of 50 per cent. British officers and 50 per cent. Indian officers, that the system is working well, that it will be better to reconsider the position when the new Provincial Governments have got firmly established, know exactly what they want, know what system of recruitment they would prefer and put their views fully before His Majesty's Government when that Commission is appointed. For these reasons, Sir, I must oppose this Resolution. There is no desire in my mind or certainly in the mind of Government to check Indianization. But we do not wish to go ahead too rapidly, and if as is admitted British officers do serve and will continue to serve a useful purpose in this country during the difficult first years of the new constitution, then I say that the present principles should continue to be followed and the present system of recruitment should be maintained for a short period longer during which we shall only get quite a modest number of British recruits for service in India.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, with due deference to the views of my Honourable friends the mover of the Resolution and the mover of the amendment, I beg to say that I do not find any strong reasons for the moving of these Resolutions. Indianization of the Indian Civil Service is taking place at a reasonable pace. In my own province there are now Indian officers holding Indian Civil Service posts twelve times the number of what it was 30 years ago. Neither in the Resolution nor in the amendment has any definite method been suggested as to how to increase the pace of Indianization. It is all very well to make general suggestions, but to put up definite proposals is a different thing. Indians are admitted into the Service by open competition in England and also by the competitive examination in India and I cannot believe that my friend means that the standard of examination should be lowered. I am certain that Honourable Members of the House will not agree to a suggestion that Indians with lower qualifications than are necessary for the efficient discharging of the duties of the Service should be taken.

Then, Sir, I am afraid I cannot agree with my Honourable friend the mover of the amendment as to why so much importance should be attached to the

posts in the Secretariat (Hear, hear). I think the work in the district is just as important, if not more important, than work in the Secretariat. I hope the officers in the Secretariat will not mind my being a little frank. In the district, officers have administrative work to do. It requires tact on their part to discharge their duties successfully. Then they are in direct touch with the people. In the Secretariat, the officers deal mainly with rules and regulations. I admit that high ability is required in the Secretariat. I also admit that a certain number of Indians should be there in the Secretariat. But I am not prepared to say that the work of the Secretariat is of such importance that the work in the districts should be considered very inferior to it.

With these few remarks, Sir, I oppose the Resolution.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, I have heard with rapt attention the speech of my Honourable friend Mr. Hallett. I do not see from the reasons given by him why he is opposed to the Resolution moved by the Honourable Rai Bahadur Lala Jagdish Prasad. Of course, the amendment of my Honourable friend Mr. Banerjee is not so wide as the Resolution moved by my Honourable friend Lala Jagdish Prasad. It is admitted by my Honourable friend Mr. Hallett that Indianization is taking place in the Services. The complaint of my Honourable friend Lala Jagdish Prasad is that the progress is very slow. He has not given any definite period within which the Service ought to be Indianized. He says that "within a measurable distance of time" the Service should be Indianized. My submission is this. It has been admitted by my Honourable friend Mr. Hallett that Indians have been found competent to do the necessary work in the Service. Indians have been found competent to hold the responsible posts of Executive Councillor and Minister. Indians have also been found competent to hold temporarily the post of Governors in the various provinces. I therefore submit that other things being equal, that is, if you can find Indians fit for the Service, you should appoint them, and you should not stick to the percentage laid down by the Lee Commission so that you will be able not only to solve the question of unemployment amongst the educated classes but you will also be able to support the national demand about the Indianization of the Service and you will thereby help the Indians to manage their own affairs. Therefore, Sir, in supporting this Resolution of my Honourable friend Lala Jagdish Prasad, I do not in any way under-estimate the qualities and the virtues of the Europeans in the Indian Civil Service. There are some of my best friends in that Service and I really appreciate their sense of duty, their sincerity of purpose, their discipline and their honesty in performing the duties entrusted to them. I am not at all against Europeans entering that Service. My point only is that Indians should be given an opportunity of discharging their duties and of being co-opted in the management of their own affairs, that is, in the administration of India. This demand has been put forward for a very long time. If Government accept this Resolution, they will be allaying the feelings which unfortunately to some extent exist in the minds of the public that Government do not desire the Indianization of the Service. The demand made by my Honourable friend Mr. Banerjee refers to a particular point and I have nothing to say on that as he has given figures and facts. My only point is that if the Council supports this Resolution, it will strengthen the hands of those who are fighting for this particular proposition. I therefore support the Resolution moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** (West Bengal : Muhammadan) : Sir, I heard with patience the arguments of my Honourable friend the mover of the Resolution and also the cogent arguments given by my Honourable friend the Home Secretary, Mr. Hallett. If I have understood him aright, my friend Mr. Hallett said that as far as practicable the recruitment of Europeans and Indians is on a fifty-fifty ratio and that is working satisfactorily. If that be the view of the Government and of His Majesty's Government, then I should ask my friend the mover of the Resolution and Mr. Banerjee to consider the matter again in the light of the White Paper proposals. I confess to feeling doubtful if all the Honourable Members of this House are aware that the White Paper proposals contemplated no change in the present system of recruitment or in the present conditions of service in the early years of the new constitution. Then why not let the matter wait till the proposed Commission comes out five years after the inauguration of the Reforms. If the Government is prepared to give that assurance that Indians will receive a larger proportion of places with the gradual march of time then I will support my friend Mr. Hallett on the floor of this House and I would advise my friend Lala Jagdish Prasad to withdraw this Resolution. If he is adamant about it then I will vote with Government and oppose the Resolution.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD** : Sir, I am glad that the reply of the Honourable Mr. Hallett to the debate on my Resolution is on the whole sympathetic. We in this House are accustomed to an adamant attitude on the part of the Government on every non-official Motion that emanates from this side of the House, but I am glad to see that at least in relation to this Resolution the attitude of Government is on the whole sympathetic, perhaps more sympathetic than the attitude taken up by my Honourable friend Nawab Malik Mohammad Hayat Khan Noon. The Honourable Mr. Hallett has said that the question of recruitment of Indians in greater numbers to the Indian Civil Service is engaging the attention of the Joint Select Committee in England, that five years after the inauguration of the new constitution a Commission will be coming out which will review the whole position in the light of experience gained by that time and that the Government of India will put forward their views in this behalf before that Commission. I am prepared to wait till that time, Sir, but I hope that the Government of India will put forward this demand of Indian public opinion strongly before that Commission and before His Majesty's Government, *viz.*, that Indian public opinion wants the pace of Indianization of the Indian Civil Service to be accelerated. The Honourable Mr. Hallett has observed that there are very few Commissions which are acceptable to Indian public opinion. Sir, if Commissions are not acceptable to Indian public opinion it is either because of their unsatisfactory constitution or because of their reactionary recommendations. The Honourable Mr. Hallett has argued that the present system of recruitment to the Indian Civil Service has given satisfactory results. But, Sir, my point is that if the present ratio of recruitment of Indians and Europeans to the Indian Civil Service continues, the Indian Civil Service will not be completely Indianized at any time in the future. I wish that the Governor General in Council should take steps to increase the percentage of recruitment of Indians to the Indian Civil Service so that it may be possible to Indianize the Service within a measurable distance of time. I do not want that British recruitment should stop altogether, as I have already said in my first speech. What I want is that the pace of Indianization of the Indian Civil Service should be accelerated. And as the Government of India seems to be in substantial agreement with this view and as the Joint Select Committee is already examining this question, I do not think I need press my Resolution to vote. I only hope that the Government

of India will keep this demand of Indian public opinion in view and will press it on the attention of His Majesty's Government and the Commission when the time comes for them to do so.

With these words, Sir, I beg leave of the House to withdraw the Resolution. The Resolution\* was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT: And therefore the substituted Resolution† necessarily falls also.

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The Honourable the President next called upon the Honourable Mr. Hossain Imam whose Resolution‡ stood next on the List of Business but the Honourable Member was absent.

THE HONOURABLE THE PRESIDENT: As the Honourable Member is not here to support his Resolution it must be deemed to have been withdrawn. However I wish to point out to the Council that Honourable Members whose Resolutions are on the List of Business and are not able to be present should at least show the courtesy to send timely notice to the Department which is concerned with the Resolution and notice should also be sent to the Council Secretary.

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The Council then adjourned till Eleven of the Clock on Tuesday, the 13th February, 1934.

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\* *Vide* page 23, *ante*.

† *Vide* page 24, *ante*.

‡ "This Council recommends to the Governor General in Council to advance extensive long term credit through the Local Governments to persons affected by the earthquake for re-construction purposes on low rates of interest."





# COUNCIL OF STATE

*Tuesday, 13th February, 1934.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

## QUESTIONS AND ANSWERS.

### AREA UNDER NON-FOOD CROPS.

20. THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: (a) Will Government be pleased to state whether the area under non-food crops has increased from 1921-22 to 1932-33, and in what provinces? What was the gross value of these crops at the prices prevailing upto 1929-30?

(b) Has the quantity of opium grown in India been reduced during the last five years? What areas are under cultivation and what is the value of opium raised? How much opium is consumed in the country? What is the quantity exported to other countries?

THE HONOURABLE MR. M. G. HALLETT: (a) The latest figures available are for 1931-32. A statement showing the area under non-food crops in various provinces in 1921-22 and 1931-32 is laid on the table. It is not possible to make an estimate for the gross value of these crops, as the statistics of production and of prices are incomplete.

(b) Poppy is cultivated in the United Provinces in British India and its cultivation has been reduced during the last five years. A sum of Rs. 28,47,097 was paid to cultivators for opium received during that year. 5,205 maunds 21 seers of opium were consumed in British India and 2,052 chosts (equivalent to 3,491 maunds 10 seers) of opium were exported to other countries in 1932.

*Statement showing the area under non-food crops in various province.*

Province.	Area under non-food crops. (in thousand acres).	
	1921-22.	1931-32.
	(Provisional).	
Ajmer-Merwara . . . . .	52	53
Assam . . . . .	1,023	1,067
Bengal . . . . .	3,425	3,521
Bihar and Orissa . . . . .	2,753	2,650
Bombay . . . . .	7,101	9,445
Burma . . . . .	2,319	2,687
Central Provinces and Berar . . . . .	6,912	7,232
Coorg . . . . .	44	31
Delhi . . . . .	30	41
Madras . . . . .	6,435	7,971
N. W. F. Province . . . . .	316	273
Punjab . . . . .	7,097	8,152
United Provinces . . . . .	3,575	3,332
Total . . . . .	41,082	46,455

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Is it possible to give us an idea which people among the different provinces of India are greater consumers of opium?

THE HONOURABLE MR. M. G. HALLETT: I regret that I have no knowledge of the question which I am answering. I am only answering as a substitute for the Honourable Member in charge of Education, Health and Lands. If the Honourable Member will give notice of the question, I shall try and obtain information.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Is it a fact that the largest quantity of opium is exported to China from India and that the Chinese are the greatest opium eaters in the whole world?

THE HONOURABLE MR. M. G. HALLETT: I believe that is a fact, Sir.

#### UNDERFEEDING OF RURAL POPULATION.

21. THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Will Government be pleased to state whether there is any difference of opinion between the Census Commissioner and the late Director-General of the I. M. S., in regard to the underfeeding of the rural population of India? If the reply is in the affirmative, how is the divergence explained?

THE HONOURABLE MR. M. G. HALLETT: None that the Government is aware of. If the Honourable Member thinks otherwise, perhaps he would state the passages he has in mind, giving references, and the Director General, Indian Medical Service, will be glad to examine them.

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#### RESERVE BANK OF INDIA BILL.

THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary): Sir, I move:

"That the Bill to constitute a Reserve Bank of India, as passed by the Legislative Assembly, be taken into consideration."

Five months ago when I introduced this measure in this House in the Simla Session on the motion that it should be referred to a Joint Committee of both Houses I said that I was convinced that the more closely this important measure was examined—and we were determined to give the fullest opportunity for such examination—the greater would its advantages from the point of India be seen to be, and I am gratified to see how that prediction has been fulfilled. We had the measure examined by a Joint Committee of both Houses. We gave that Committee the opportunity of asking experts to join in informal consultation with them and thereafter the measure went through a most careful and laborious examination clause by clause in another place. As a result, Sir, I think it safe to say that Indians are now realising how great an advance is possible under this measure, and in securing this end I think that the experiment of Government in asking both Houses to join together to examine the measure was an important factor. The examination was of a most meticulous nature. The Bill began with 54 clauses. It has

emerged from the Legislative Assembly with 61. The Joint Committee introduced no less than 184 amendments or modifications leaving only nine clauses in their original form. The Assembly also introduced another round dozen or so modifications.

At the same time in spite of those modifications, the main features of the Bill remain unaltered and, if I may say so, more firmly established. Those main features are two. The first is that the Reserve Bank of India will be a share-holding institution. When I introduced the Bill in Simla I said that I was convinced that examination would show that a share-holding institution was the only possible one to meet India's requirements. The share-holding principle has been attacked, but I think that I can say without fear of contradiction that no workable alternative has been produced. The charters of other banks in other parts of the world have been carefully examined by our critics but there is no alternative which emerges if a body is to be constituted which will not only be authoritative but independent.

The second main feature of the Bill which has also, if I may again say so, been strengthened in its passage through the Committee and the other House is that since the Reserve Bank must be built on a framework of the external value of the rupee, the only possible framework, if controversy was to be avoided, was that in force at the time when the Bill was introduced. As I said then, what we are doing now is creating a Reserve Bank; we are not discussing the external value of the rupee, important though that question may be; and it has been recognised that the votes of both Houses on this matter are votes in favour of a Reserve Bank and not necessarily in favour of any particular currency policy. That is an issue which does not arise.

These are the two main features which I have said remained unaltered in the Bill. At the same time in its passage through the Committee and the Assembly there have been numerous important alterations and I would like to invite the House to a few of the more important of these so that they may see what changes have been made since the Bill was originally brought before them.

The first is that the value of the shares has been reduced from Rs. 500 to Rs. 100 and the minimum voting power has been reduced from Rs. 1,000 to Rs. 500. Government accepted the views of the non-official Members in this matter though with a certain amount of hesitation and I think possibly that it is still not fully realised how enormous an advance this is towards what I may call the democratisation of the Bank. I have looked up the charters of some of the other central banks. I find that in the case of the Bank of France the voting power is limited to the 200 shareholders with the greatest voting power and in the case of the Bank of England voting power is limited to people holding stock of £500 or more. Here we are creating an electorate of 100,000 people with a share-holding value of only Rs. 500 and careful modifications have been introduced both in Committee and in the other place to secure as wide as possible a distribution on the initial allotment of that voting power. This, Sir, I think is a most important change in widening the base on which the Bank will be built.

The second point, Sir, of importance was that of the London Office of the Bank. We felt that it was hardly fair on the Bank to impose a statu-

[Mr. J. B. Taylor.]

tory obligation on it to have a London Office. We wished to leave it to the unfettered discretion of the Central Board. In another place, however, it was felt that something definite should be put in the Bill about a London Office; Government have accepted that decision and I am not going to propose any modification of that alteration.

A third change was that the Bill in its original form would have made Bombay the headquarters of the Bank. It has now been agreed on the suggestion of the Joint Committee that the Bank should be migratory like the Imperial Bank. I think, Sir, that is a sound decision. India is such a large country and the interests of the various centres are—possibly divergent is not the word, but so different that even though the Bank might gain in efficiency by having a central office in one place it would probably lose more in its representative character than it would gain in efficiency.

Another point on which Government have met the views of the non-official Members, though again with considerable hesitation, was as regards the minimum holding of gold. At the present time, Sir, with gold fluctuating widely in price from day to day, my own view is that it would be rash to put any definite figure on it. However, there are other factors and we on the Government side have agreed to accept the amendment which was introduced in the Joint Committee that the minimum holding should be raised from Rs. 35 crores to Rs. 40 crores.

Another change, Sir, again of considerable importance, was that the silver rupee should remain legally interchangeable for notes without limit. The Hilton Young Commission, impressed as they were with the dangers and risks, the strain which the adherence to this principle put on the Indian currency system during the war, would have abolished this right as regards the new notes of the Bank. On the other hand, it was strongly pointed out in the Joint Committee both by non-official Members and by experts that it was desirable to do nothing which might impair in any way the confidence of the public in the new note issue. Besides, not only with regard to gold but even with regard to silver the world is at present in such a state of flux, and taking all the factors into consideration, it seems on the whole desirable that the legal interchangeability between notes and silver should continue.

Finally, the whole of the provisions regarding scheduled banks have been modified in consultation with experts, and here I would pay a tribute to one of the Members of this House on the Joint Committee for the strong fight which he put up on this question. We have, however, come definitely to the conclusion, and I think it has been confirmed in discussion in Committee, that if the Bank is to function properly in its control of credit it must have some definite control over other banks in this country, and that control can only be effective if they are compelled not only to furnish information to the Bank but also to deposit a certain amount as a token that they will do their business with it. At the same time, Sir, so long as the main principle remained unchanged we were prepared to make modifications to suit the convenience of the banks. We had a representative team of bankers from various parts of India representing the exchange banks, the joint stock banks and also the indigenous banks and I think that the modified provisions regarding scheduled banks do represent a fair measure of agreement as a sound working compromise.

Then, Sir, as regards the Imperial Bank, there will be a separate Bill which I shall move for consideration at a later stage as regards the consequential amendments to the constitution of the Imperial Bank. Naturally, the character of that institution will be fundamentally altered by the creation of a Reserve Bank. At the same time, it will still have an important function to perform. It has a large number of branches scattered throughout the country and it is doing a very valuable work in developing the banking habit which it would not be in the interests of the country to impair. The clause dealing with the agreement which will have to be made between the Reserve Bank and the Imperial Bank and the remuneration of the latter was specifically stated by Government at the time of the introduction of the Bill to be one on which we would be open to suggestions both from the Committee and from the expert witnesses. The clause was carefully examined and there too, I think, Sir, as a result of this examination there has emerged a much stronger appreciation of the valuable work which the Imperial Bank is doing and which it will have to continue to do. The agreement has been altered slightly as regards both the term and as regards the method of remuneration but the principle remains, if I may say so, even more firmly established.

Finally, Sir, in the Assembly there were several further alterations. These primarily took the direction of increasing the duties of the Reserve Bank in the matter of agricultural credit,—a question which I know this House has very much at heart. There were two particular amendments which they introduced. In the first place, they somewhat widened the definition of a provincial co-operative bank, by giving discretion to Local Governments to allow the admission of individual central bank as distinct from provincial apex banks to dealings with the Reserve Bank, and secondly, and more important, the Bank has now been enjoined by Statute to proceed at once to the creation of a separate agricultural credit department so as to co-ordinate its activities in the matter of agricultural credit, not so much for direct credit—I am afraid that the Reserve Bank will be able to give practically nothing in that way,—but much more in co-ordinating the activities not only of the provincial co-operative banks but of other banks which are engaged in these operations.

These, Sir, are the main changes—I have discussed them as briefly as possible—which have been effected in the passage of the Bill. But, Sir, what I feel is the most important feature of these prolonged and laborious discussions has been the growing atmosphere of cordiality, the increasing realisation that this Bill is primarily designed in India's interests. It is an enormously difficult measure to frame because we are building something entirely new for India and we are building it at a time when we have nothing to build on. All the credit systems of the world, all the monetary theories are now being put to a much searching and critical examination than they ever had in the past, and in framing a measure of this nature we have to combine to an almost impossible degree rigidity with elasticity. Rigidity because the essence of this Bill is a transfer of financial responsibility from one authority to another, and that authority in transferring the power must see that safeguards and limitations are imposed. Elasticity because, as I have said, the currency systems of the world are in a state of flux, if not of chaos, and it would be unfair to tie down the Bank too far in any particular direction. At the

[Mr. J. B. Taylor.]

same time, Sir, I think that these two principles have been reconciled in this Bill. To my mind, the most important feature of the Bill is that it will create in India an independent and I hope authoritative organisation which will be able to consider those matters, not as at present from the outside, but from the inside, which will realise, by being confronted in practice with the day to day work of such an institution, the practical difficulties which we in the past have been confronted with as Currency Authority. They will realise the practical limitations which are imposed upon a country like India, which is after all still a debtor country, so that the maintenance of its external credit is therefore the fundamental and primary condition of its economic advance. I think that as the Bill progressed it was realised how wide the transfer of power was going to be, wide not only as regards the actual operations but wide also as regards the extent and the untried nature of the authority in whom it is proposed to repose that power. It is a great trust which is being imposed upon the new Bank—upon its Directorate and upon its shareholders, and I trust that in the interests of India it will use that power wisely and well.

Sir, I move. (Applause.)

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): On a point of order, Sir. This Bill was referred to a Joint Select Committee of the two Houses. According to rule 42 of the Indian Legislative Rules this Joint Select Committee ought to have been called up by yourself, but as far as we are aware, the meeting of the Joint Select Committee was not called by you, Sir, and therefore the whole report of the Joint Select Committee as well as everything done is vitiated because in a legislative body the authority which is empowered should call the meeting; otherwise the meeting has got no position. Therefore, Sir, I think that this Bill is not in order, because we passed the motion that the Bill be referred to a Joint Select Committee, and until that Committee reports, we cannot consider it within one year.

THE HONOURABLE THE PRESIDENT: I should have expected the Honourable Member to have given notice of such an important objection as this. I consider the objection not at all sustainable and I therefore hold that the debate will now proceed.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, may I suggest that for several reasons which I am going to specify you would allow this debate on this Bill to go on till lunch time every day and not to sit after lunch? To begin with, we have the papers before us which have to be read properly and many of the Members here may like to have time to go through the papers once again before entering into the debate. Secondly, Sir, Delhi is providing us with a lot of entertainments and some of us may like to attend—

THE HONOURABLE THE PRESIDENT: I think that is the real substantial reason.

THE HONOURABLE MR. BIJAY KUMAR BASU: Thirdly, and lastly, Sir, we are not very much pressed for time and I hope you would consider that suggestion of mine and sit only till lunch time every day for the debate.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab: Nominated Non-Official): I heartily support the suggestion of my Honourable friend.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): I also support the suggestion.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): I also endorse the suggestion of my Honourable friend Mr. Bijay Kumar Basu.

THE HONOURABLE THE PRESIDENT: I am always ready and willing to accommodate Honourable Members. However, it will all depend on the turn the debate takes and the time it will occupy. I hope in all probability to meet with your wishes, but I will not express any opinion just at present and will wait till lunch time.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, I should like first of all to take this opportunity of congratulating the Honourable the Finance Member on having piloted the Reserve Bank Bill so ably through the other House, thereby enabling the Government to present it to us in this House in its present form, in which I may say speaking generally it is quite satisfactory to those I represent.

I am prepared to admit that at an earlier stage there were doubts in the minds of some members of my community as to the advisability of attempting at such a time the establishment of a Reserve Bank. But what far outweighs this consideration is, that if the country is to advance in the direction of Federation, a Reserve Bank must precede that stage and we consider its establishment is a necessity. We believe that in spite of the difficulties that may arise it is wise that it should be established at this stage, so that when the time comes for Federation the Reserve Bank will have had experience in many directions and so be a well organized and going concern able and ready to deal with the financial problems that then exist.

I do not propose at this stage, Sir, to discuss the Bill in greater detail but I notice various amendments have been tabled and when these come up for discussion either one of my colleagues or I myself may have something to say in connection with one or two of them.

Meantime I commend the Bill to the favourable consideration of the House and on behalf of those I represent I give it my full support.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I am one of those who are strongly in favour of the creation of a Reserve Bank, provided that the time is ripe for its creation and that it is constituted on right lines. As a business man I support the principle that Government should have no voice in the day to day administration of currency and exchange and that the banking reserves of the country should be centralised in order to confer the largest benefit on its people. Having been associated with the Committee which sat in London to consider the question as also with the Joint Select Committee of the Indian Legislature which reported upon the measure quite recently, I feel bound to say that nothing that has been said in either place has convinced me that the scheme now before us is such would evoke any enthusiasm in the country. Why is this so, when we all



[Rai Bahadur Lala Ram Saran Das.]

want an independent Reserve Bank, free from political influence? In answering this question, I wish, with your permission, Sir, to state briefly what were, not very long ago, regarded as the conditions for the successful working of a Reserve Bank. They are stated in the White Paper and are four in number. First, that the Indian budgetary position should be assured. Secondly, that the existing short-term debt both in London and India should be substantially reduced. Thirdly, that adequate reserves should have been accumulated. Fourthly, that India's normal export surplus should have been restored.

I will not waste the time of the House with a large mass of detail, but it is necessary to make sure that the foundation is sound before we raise any superstructure over it. First, as regards the budgetary position. I admit that so far as the present position is concerned, the Central Government is not faced with much difficulty. But can this be said of all the provinces? In his statement before the Joint Parliamentary Committee on the financial implications of provincial autonomy and federation, Sir Malcolm Hailey in dealing with the 1933-34 provincial budgets arrived at the following results: Madras, the United Provinces, the Punjab, Burma and the North-West Frontier Province have in all a surplus of Rs. '85 crores, whereas Bombay, Bengal, Bihar and Orissa, the Central Provinces and Assam have all together a deficit of Rs. 3'02 crores; or taking all the provincial budgets together, there is a deficit of Rs. 2'17 crores. In the budget of the Central Government, there is for the year 1933-34 a small surplus of '25 crores. When you combine the central and provincial budgets, you get a net deficit of 1'92 crores. When you take into account the proposals of the White Paper for the future allocation of revenues and the additional expenditure due to the reforms now under consideration, Sir Malcolm Hailey's estimate is that an additional sum of between 6 and 8 crores would be required. Can we then say that the budgetary position is assured? I venture to think not.

I have no desire to overstate the case and I will therefore freely admit that so far as the reduction of the short-term debt and the accumulation of adequate reserves are concerned, the Government is in a much better position today than it was say two years ago. As regards the fourth condition, namely, the restoration of the normal export surplus of India, I cannot see any cause for satisfaction. The export surplus has been steadily dwindling as the figures I am giving will show:

Year.	Export surplus of India.
1928-29. . . . .	86 Crores 47 Lakhs.
1929-30 . . . . .	78 Crores 98 Lakhs.
1930-31 . . . . .	62 Crores 5 Lakhs.
1931-32 . . . . .	34 Crores 83 Lakhs.
1932-33 . . . . .	3 Crores 38 Lakhs.

The above figures were taken from the *Review of the Trade of India* for the year 1932-33, page 234. I will not labour this point further as I shall deal with it again, but I do want to ask the House whether

they think this is a state of things in which a Reserve Bank can be successfully launched. Were we free to examine the question on its merits I should not have any doubt as regards the verdict of the House. But we are not free to do so, as the establishment of a Reserve Bank has been proclaimed as a pre-requisite to the inauguration of responsible government at the centre. Were we to oppose it, we should be regarded as opposing the new scheme of constitutional reform. That I am bound to say is a wrong position for any Member of the House to be placed in. What we want is a good Reserve Bank and a no less good measure of constitutional reform. But I fear we are going to be saddled with an undesirable Reserve Bank in order to save a constitutional scheme in the framing of which this House has no voice.

I will not deal at this stage with the technical clauses of the Bill, but only with general principles. To me it is far more important to know what kind of men will work the scheme than to know whether the scheme on its technical side is the last word in central banking wisdom. And here I must express my disappointment that the Bill before us contains not a single feature to which Indian opinion attaches great importance. A Shareholders' Bank is thrust upon us when we would have preferred a State Bank, or as a compromise the Stockholders' Bank to which Sir Basil Blackett had agreed. There is also no provision that the State might purchase the shares after a certain period, if it considers necessary in the public interests to do so.

It is said that the scheme has been so framed as to ensure that the majority of shareholders will be Indians. I welcome this assurance so far as it goes but to my mind it is not enough. What we want is that the Bank—which really means its Board of Directors—should have a national outlook and should be so constituted as to regard the interests of India as supreme over every other interest. I am very doubtful that the scheme before the House answers this test. The Governor General in Council will have a predominating voice in the appointment of Directors for some time to come and particularly in the selection of the Governor and the Deputy Governors, which would be the key appointments of the Bank. I might quote here the instance of the Imperial Bank. It is said that at least 65 per cent. of the shares of this Bank are held by Indians. Can it be said that the Imperial Bank is national in its outlook? Do the shareholders control the policy of the Bank? Do the Directors, who are also, it is said, largely Indian, control the policy of the Bank in the interests of Indian banking, commerce, industry and agriculture? What I fear is that the new Reserve Bank would become a glorified Imperial Bank and that the difficulties which Indian interests are now labouring under will remain as great as ever. In this connection, I also wish to state that we would have accepted the measure before us if we felt satisfied that by agreeing to it we would obtain control over the policy regarding currency and exchange. But that is by no means assured. The Bill vests large powers in the Governor General in Council. I have no quarrel with these, so long as the present constitution lasts. But when responsibility for finance is transferred to the central legislature of the future, it is only reasonable to expect that the powers now vested in the Governor General in Council should be invariably exercised by the Governor General acting with Ministers. On this point I should like to have some assurance from the Honourable

[Rai Bahadur Lala Ram Saran Das.]

the Leader of the House. If you have an adaptation clause in the Constitution Act, as I gather is the intention of the authorities, and confer the powers, or at any rate the really vital ones, now vested in the Governor General in Council in the Governor General alone, you will have deprived the scheme of its only chance of proving satisfactory to national sentiment.

I should also like to know what would be the total loss to Central and Provincial Government finances from the creation of a Reserve Bank. I see this has been differently estimated by different persons. Sir Malcolm Hailey in his Memorandum to which I referred a short while ago put down the loss of currency receipts at rupees one crore. The Secretary of State for India in his statement before the Parliamentary Committee said that the loss would be Rs. 1½ crores. I understand that the Honourable the Finance Member in another place gave the figure for the maximum loss as Rs. 30 lakhs. I should like to know which figure is now the officially accepted one. Personally, I see no reason why even Rs. 30 lakhs annually should be sacrificed in present conditions of financial stringency, but perhaps that is the price which India must pay for the satisfaction of the British investor, the British trader and the City of London. In arriving at this figure, whatever it be, I presume due account has been taken of the appreciation of our gold reserves—I mean in bullion, not in securities—which so far as I know stand in the books of the Currency Department on the old valuation. If we must have a Reserve Bank now, I should prefer to see in the Bill a provision on the lines of section 6 of the English Currency and Bank Notes Act of 1928, under which the Issue Department would be run entirely on behalf of the Government of India and would pay to that Government the *entire* profits of the note issue, from the very beginning of the inauguration of the Bank. There is no reason why the shareholders of the Bank should derive any part of their dividends from the public funds now vested in the Governor General in Council.

I see that it is proposed to exclude Members of the Central and Provincial Legislatures of British India—but not, I take it, Members of Legislative Assemblies of Indian States, where such bodies exist—from membership of local boards as also of the Central Board. I see no justification for such an exclusion, which, I understand, is defended on the analogy of Austrian, Bulgarian, Esthonian, Roumanian, South African and Swiss statutes relating to Central Banks in those countries. In this respect, England is not regarded as a good example for us, though we try to adopt it as a model on the constitutional side. It would not require much research if the statutes of all Central Banks in existence were pressed into service and every possible restriction that was to be found anywhere adopted to suit Indian requirements. It is highly derogatory to our self-respect to consent to any such provision, which would amount to saying that we cannot put aside political considerations while discussing the affairs of a bank as members of its Board of Directors. At any rate the Members of the Provincial Legislatures are not in that position, as the Reserve Bank would be a central subject. I should like to know whether the exemption in favour of Members of the Legislatures of Indian States is based on the ground that affairs relating to the Reserve Bank could never be discussed in those Assemblies. I see that the exemption does not extend to salaried officials of States. In this res-

pect salaried officials in States and British India are treated alike. There must be some peculiar taint with which the Members of the Legislatures in British India are afflicted and from which the Members of the Legislatures in Indian States are free.

The provision regarding compulsory deposits of scheduled banks is, I think, one which will prejudicially affect the financial position of the smaller Indian banks, who will have to apply for membership just to carry prestige with their clients and the general public. I should have preferred the deletion of all compulsion and left it to adjustment by convention. But if we must have deposits on a compulsory basis, I trust the figures that will eventually be adopted will be lower than those we have in the Bill before us.

The provisions dealing with monetary policy and exchange are to my mind most unsatisfactory. Under the scheme we may not be able to review the currency and exchange policy of the Government for several years. For whenever any such question is brought up, Government would be able to say that the Reserve Bank has not yet reported, as required under section 55 (2) of the Bill, as in their opinion the international monetary position has not become sufficiently clear and stable to enable Government to take up the question. This would make things even worse than at present. We hold that the present high rupee ratio is responsible for the depression in the export trade of the country and we consider that the creation of a Reserve Bank is not half as important today as the bringing about of a very substantial rise in commodity prices. That rise will never take place as long as exchange is maintained at its present unduly high figure. I have referred in the earlier part of my speech to the dwindling of the trade balance of India in recent years. This is chiefly due to the steady diminution in the annual exports since 1928-29. For the year 1928-29 the exports of Indian merchandise were valued at Rs. 330 crores. For the year 1932-33, they were valued at Rs. 192 crores; or reduced to 40 per cent. in four years. The total value of agricultural production in 1928-29, according to figures given in the *Review of the Trade of India* for the year 1932-33, was Rs. 1,018 crores. In 1931-32, it was only Rs. 536 crores, or reduced by 47·3 per cent. As prices have fallen since 1931-32, the drop in value of agricultural produce today would be much greater. What relief can we bring to the agriculturists who have suffered such a tremendous loss of purchasing power, when we perpetuate the very measure which has been mainly responsible in bringing about such a serious deterioration in their financial position? Even though mine be a cry in the wilderness I must register my protest against the perpetuation of what the commercial, industrial and agricultural community in India regards as a grievous wrong to the interests of the country.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, I rise to support the Bill which, I feel, lays the foundation stone of a sound economic structure for our country. It is a fact that India is the only civilised country where paper currency is still issued by Government, and where there is no central control of credit, nor any co-ordination of currency and credit at all. I would not like to waste the valuable time of the House by further dwelling on this aspect of the Bill, and therefore I confine my remarks to the expression of hope that the Reserve Bank, when working, will prove in a short time to be

[Mr. Mahmood Suhrawardy.]

as beneficial as it is expected to be. Another angle from which I would like to throw some light on the future working of the Bank is a point on which I can pronounce an opinion based on personal experience, *i.e.*, the importance of agricultural credit.

Sir, I come from a pre-eminently agricultural province and I can therefore express the feelings of agricultural classes in respect of this Bill. It came as a great relief to them that substantial changes have been made in the original Bill. I refer to the introduction of nine months' agricultural bills, to the abolition of a fixed percentage as regards the proportion of agricultural bills *versus* commercial bills, and lastly to the clause about the establishment of an agricultural department of the Reserve Bank. The Bill, as it stands, will be in a position to help agriculturists. A word of warning seems, however, to be necessary. Agricultural credit can, as a matter of course, only be distributed with the help of a strong co-operative system to such ryots whose financial position is sound. This principle necessitates strengthening of co-operative organisations and also the creation of land mortgage banks. As long as the *mahajan* is not made to abandon his usurious practices and the long-term loans are not given on a reasonably low rate of interest, the working of the Reserve Bank in the field of agricultural credit will be greatly hampered. I am glad to see that the Central as well as the Provincial Governments are trying their best in both directions, but I honestly feel that a good deal more is needed in order to pave the way for an even less hampered flow of Reserve Bank credit in the direction of the villages.

And lastly, Sir, a few words about the management of the Reserve Bank. The Bill, as it stands, will provide the first Governor with a great opportunity to work the Bank in the best possible way and my request now, Sir, to the Honourable Mr. Taylor opposite and to our Government is to provide the Bank with the best possible Governor. It will not be a simple task to organize and work the Bank; there will be practically nothing to guide the first Governor. Only a man with broad vision, with wide experience and strong personality will be able to do justice to the Bank and to our country.

With these words, Sir, I support the Bill on behalf of my Party in this Council.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, I also rise to support the motion for the consideration of the Bill. A doubt has been expressed, Sir, whether the present is the time when a Bill of the present magnitude should be introduced and this Reserve Bank inaugurated in our country. I have thought that this Bill is a long overdue one. Ever since the Report of the Hilton-Young Committee we hoped that a Bill of this kind would have been passed and that the Reserve Bank would have been an established fact in this land of ours. Two Bills introduced in 1927 and 1928 were torpedoed and the matter was considered in the Round Table Conferences to which almost every one who is anybody in this country and all political leaders of parties were invited and it was agreed there that a Reserve Bank should be established in our country. In the World Economic Conference emphasis was laid that if there should be anything

like a real and genuine attempt to see that this depression passes over this world of ours one essential was the establishment of Reserve Banks in almost every country in the world entitled to any claim for civilisation.

Sir, the reason given why this Bill should not be passed is that our trade balance has come down from Rs. 70 or 80 crores to Rs. 3 crores in recent years. Unfortunately it is true, no doubt. But if our trade has suffered and if our trade balance has been brought down to the bottom, it is not because of our monetary system but because of the world-wide depression under which every country in the world has been suffering. Sir, if I may say so, on the other hand the present system, or shall I say want of monetary system, in our country is in a way responsible for at least a portion of the present state of trade conditions in our country. What have we got? Here we have credit and currency divorced. Currency in the hands of the Government; credit in the hands of the Imperial Bank. Look at the rate of interest charged to the villagers. Would it surprise Honourable Members to know that as much as 15 per cent. is being charged by co-operative societies when money is lent to the people?

THE HONOURABLE RAI BAHADUR LALA RAM SARAM DAS: Why?

THE HONOURABLE SIR KURMA VENKATA REDDI: Why? Because there is no proper guiding authority. That relation between currency and credit is not available in this land and the Bill is mainly intended for that purpose because I believe the main function of a Reserve Bank is to correlate currency and credit. We have not got the same facilities for credit as other countries have and this Bill, which creates the Reserve Bank, otherwise called a Bankers' Bank, this Bill will furnish ways and means by which credit facilities at low rates of interest may be afforded to this country. I should therefore think, Sir, that this Bill has long been delayed and that this is the time when this Bill should be passed.

There is yet another reason, Sir, and that is the great changes which this country is going to see very soon in its constitutional affairs. I am not one of those, Sir, who believe that we are getting everything by this White Paper. On the other hand, I am not one of those who believe that we are not making any advance on our present position. As one who has worked the dyarchic system I can assure the Honourable Members of this House that the reforms we are going to get, however unsatisfactory in many respects, will be a very great advance indeed over the existing state of affairs. And when India is seeking to find a place in the comity of nations, when we want to have our own place in the scale of nations, I should think, Sir, that, more than the constitutional reforms, the financial reforms will be a great step indeed and a necessary step too. Sir, India cannot view these things purely from constitutional and political points of view. I should think we ought to look at it from a different point of view altogether. Sir, India is now connected with every part of the world. I suppose, Sir, there is no country in the world which does not send something to India, or which does not purchase something from India. Distances have been annihilated by modern convenience of communication and we have relations with almost every country in the world and if in fact we want to become part of the monetary system of the world, a Bill like this is not only necessary but without it we will never be able to take our place in the monetary systems of the world.

[Sir Kurma Venkata Reddi.]

Sir, I think I had better proceed to deal at this stage with some of the arguments that have been raised both in this House and elsewhere. We have been told that we should have not a Shareholders' Bank but a State Bank. Sir, I thought that that question was practically settled so far as this House is concerned when I found the list of amendments sent to me did not contain any amendment on that proposition. I believe I am correct in saying that no amendments will be coming before this House with reference to this question.

THE HONOURABLE THE PRESIDENT: There is one.

THE HONOURABLE SIR KURMA VENKATA REDDI: I am sorry I did not think there was. If so, when the amendment comes before the House there will be time enough to meet it. But what I would say at this stage is this. This belief that the Legislatures of the country are being deprived of opportunities of criticising, advising and asking questions is, I think, based upon a superficial conception of the frame of the Bill. Sir, this question of political influence has been trotted out too much both in this House and elsewhere and we are told both from the Government benches and from the Opposition benches, one side claiming that there should be no political influence and the other side claiming that political influence is absolutely necessary for the purpose of seeing that the Bank works in a proper manner. But to my mind, Sir, this expression "political influence" conveys no meaning. You cannot get on without political influence either in this country or in any other country. You have got several provisions in this Bill which speak of the Governor General in Council and the Governor General in Council cannot altogether preclude himself from political influence. On the other hand, Honourable Members when they say that they are being deprived of their powers as Members of this House are greatly mistaken because it is impossible for an organization like this to be altogether free from political influence. Take, for instance, the case of elections to the Board. When it comes to elections you are bound to see that they are carried out on purely political or party lines. You may say that political influence will be excluded because Members will not compete or ask questions in the Legislative Councils. But, Sir, even in matters connected with temple committee elections, in my province at any rate, you find political influence is brought to bear and elections are conducted on purely party lines. So there is absolutely no fear on that ground. Both the Government on the one side and the Opposition on the other are thinking of matters which are not of very great consequence there.

Now, Sir, I shall not fully refer to the question of the ratio and I do not know whether there is any amendment on that subject. Whether there is or not, I would only submit this, that this question of ratio again is ridden hard and much undue importance is attached to the question of the present depression and low level of prices. With great respect, Sir,—I no doubt believe that all those who have been speaking are speaking sincerely and honestly with the firm conviction that a fall in the rupee might benefit us,—but what seems to me singular is that those very persons who want this fall in the ratio opposed it when the rupee was linked to sterling. The sterling was falling and when the rupee was linked to it, the rupee too fell. It has in fact fallen in terms of foreign currency and

yet we find the opposition is still there. Further, Sir, we were told the prices would rise in case this ratio is reduced. My submission is that there again we are placing too much importance on that matter. No doubt, Sir, that expediency of lowering the value of the currency has been followed in some countries and a temporary rise in prices has been witnessed and instances have been given by the Honourable the Leader of the Opposition in which prices did fall or rise according to the rise or fall in the ratio. But, Sir, if it is true that in 1928-29 and 1931-32 prices had fallen because the rupee had been placed at a certain value, it is also true that the reverse had happened. May I invite the attention of the House to what happened in 1923-24 and 1924-25? When the rupee was steadily rising in relation to sterling our exports increased and the prices rose. In other words, I should say that there has been this rule of the relation between ratio and prices has not been an invariable one, but there have been different consequences following under similar circumstances. Sir, this fall in prices, this depression, is not the result of the monetary system, though the monetary system plays a very very small part indeed in those matters. The World War, the War reparations, the War debts, the improvement in the machinery and the technique which has resulted in over-production and unemployment to a certain extent, the methods of investment, the trade barriers, all these have contributed to the present unfortunate condition in the matter of depression. I believe that the proposition that ratio alone would save us is not certainly consistent with what is happening in the world.\*

I shall next proceed, with your permission, Sir, to point out a few provisions in the Bill which may be considered to be an improvement over the original Bills of 1927 and 1928 and over the Bill as it was introduced in the Assembly. Many of these have been pointed out by the Honourable the mover of this motion, but I would like to invite the attention of the House to a few more provisions. In clause 17 there are facilities provided for the development of the bill market. Sir, unfortunately in this country there is no bill market at present, and if there is no bill market, it is impossible for any Bank or for the Government to control the rate of interest. No doubt, in the Act of 1923—I believe it is Act X of 1923—in section 20, provision was made for the receipt of about Rs. 12 crores by the Imperial Bank of India with a view to facilitate the discounting of these agricultural bills. Unfortunately, that provision has become a dead letter. I do hope that in the provisions that are now being made where a great latitude is being given, this bill market will be forthcoming and will develop in our land with the result that the Bank will be able to control the rate of interest in this land.

Secondly, Sir, in clause 17 (2) (a) a recommendation of the Banking Committee on the rupee import bill has been accepted. Also, in pursuance of the recommendations of the Central Banking Enquiry Committee in clause 17 (2)(b), agricultural bills are given nine months' time. In one place that Banking Committee Report recommended six months' time, but later on they came to the conclusion that it ought to be nine months, and I am exceedingly glad that nine months' time is being allowed to these agricultural bills.

Again, in clause 17 (11) the Bank is empowered to act as Agent to the Indian States. In clause 17 (8), the purchase and sale of Government guaranteed securities is allowed and this power is extended to securities



[Sir Kurma Venkata Reddi.]

guaranteed by Local Governments and Boards. That, Sir, is a very great improvement and I am perfectly certain that Local Governments would be very glad indeed.

Then, Sir, in clause 42 (6), the only thing that has been excluded from these scheduled banks—I will have occasion to speak on that at a later stage, but I do feel that unfortunately the indigenous banking system has not been brought into line with these scheduled banks.

Then, Sir, we have got two provisions referred to by the Honourable mover, namely, those referring to the Co-operative Societies and to the Agricultural Branch. On that, Sir, I should like to dwell a little with your permission. Sir, in the beginning, only one bank, the Provincial Co-operative Bank, was allowed to be included but now fortunately not only the Provincial Bank, but also the Provincial Co-operative Land Mortgage Banks are allowed to be included. Not only that, the Local Governments have been authorised to recommend even banks in the districts to be included, and that is a great improvement indeed over the previous provisions. Sir, it is important in this way, and that is connected with the next question of the Agricultural Branch. Sir, I must confess that I am not very much impressed with the form in which clause 54 has been framed. Clause 54 runs thus:

“The Bank shall create a special Agricultural Credit Department the functions of which shall be—

(a) to maintain an expert staff, etc.,

(b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with provincial co-operative banks, etc.”

The first is quite all right. But the second, *viz.*, “to co-ordinate the operations of the Bank”, is rather of doubtful utility. It may mean anything, it may mean nothing. Sir, the great need of the country today is not the help that the Government and the Bank could give to trade and commerce but the help that could be rendered to the agriculturist in this country. Sir, with the phenomenal fall in prices, it is impossible to describe the condition of the agriculturist in the villages. Men who were able to spend large sums of money on a marriage and on a death occasion are today hiding themselves in their homes unable to come out and look at the faces of others in their present condition. Women who were dazzling in their gold jewels do not appear before you in the villages because all the gold has disappeared. Men do not come out because those that have been wearing Dacca muslins are now in torn clothes. Sir, the debt of these people is estimated to be something like Rs. 900 crores. With the debt pressing on the one hand and with prices so low down, they feel it impossible to pay the Government *kists* and to maintain their families. I hope I will not be considered to be an alarmist, but I tell you one thing, and I hope Government will give some consideration to what I am saying today. It is this. This country, I thought, was never capable of being subject to anything like communistic ideas. The greatest guarantee for that was that every man in the village has an acre or two. Our holdings are all very small. 90 per cent. of the holdings in the Madras Presidency are Rs. 10 holdings, which means one acre of land in the delta area and 10 acres of land in the dry area. That is the only means of living of an agriculturist for himself and for his family and children. Now, if the

impression gets abroad, if the ryot feels that the only chance of his maintaining himself is to be taken away from him, because the land will be no longer useful to him with this heavy taxation and the low prices,—if he feels that he is in a position to give up the land, then, Sir, the fate of India is sealed. That is the strongest hold that you have got on the nation of this country. Not that you cannot retain this land. You can always retain the land because you are a powerful nation. But if you want to retain this land under the great principle known to the comity of nations, namely, that you govern the people with their consent and contentment, then the only way to retain this land in happiness would be to see that you help the agriculturists in such a way that they no longer feel themselves burdened with a heavy debt. If the debt is allowed to remain, the people are finished. Sir, the Bank can help. In the Agricultural Department of the Bank, you have left it in an experimental stage. You say that you will appoint a staff to give advice and that there will be co-ordination of the operations of the Banks. Well and good. But, I beg to submit that though such advice is essential, is necessary and is important, it is not enough. Something more is essential. Government must come to the rescue and tell this Bank to organise itself in such a way that it sets apart, say, Rs. 200 crores or Rs. 300 crores to purchase the mortgage debts. I am not saying anything about the other debts. If you purchase at least the mortgage debts and if you release these Rs. 200 crores, that will at once raise prices, because the Rs. 200 crores is not required for current purposes, cheap money would be available and prices are bound to rise as these people, the creditors, will no longer be able to loan those Rs. 200 crores at 15 and 18 per cent. (*An Honourable Member*: “Under the present Bill it cannot be done”.) But it can be done if the Bank stands guarantee. There were two Bills passed in England in 1929 and 1930 known as the Securities Management and Trusts Act, 1929, and the Bankers Industrial Development Companies Act, 1930. Those are for industries, and there is nothing to prevent this Bill conferring power on the Reserve Bank to give these Rs. 200 crores to the Agricultural Banks and the Government or these Agricultural Banks themselves issuing debentures on the guarantee of the Reserve Bank. If that is done the nation will be saved with a resultant gain in trade and industry through the increased prosperity of the people. Perhaps I have said more than I intended on this question but I may say to Honourable Members and the Treasury benches that I myself come from that class. I am an agriculturist though I happen personally to be a lawyer. There are four million people of my caste, all of them closely or distantly related to me. They are toiling day after day in the fields without regard for sun or rain; and for what? To sell their paddy at Rs. 2-8-0 a bag and to pay Rs. 10 an acre to the Government. They are unable to pay even a fraction of the interest which is due to their creditors. How can you expect the nation to rise out of this slough of wretchedness and debt? All these Bills are very good indeed, but the bulk of the population of this country is agricultural—according to the last census 71 per cent., though it was 73 per cent. at the previous census. What are these people to do if they are not saved? There are no industries to which they can turn as they can in Europe where they can flock to cities and industrial centres. If he does not cultivate his land and discharge at least a portion of his debt and so continue to live, he has no other way of living at all. He must either live by his land or starve to death. The Bank can help him and in this way. There are, in my province at any rate, what are

[Sir Kurma Venkata Reddi.]

known as Agricultural Mortgage Banks, Co-operative Mortgage Banks. We have an apex Bank in Madras with some 50 to 60 branches in the various districts of the presidency. Now if that Bank issues debentures nobody will purchase them unless they are guaranteed by the Government of India or the Local Government or by this Reserve Bank. My submission is that the Reserve Bank can do that, and provision should be made for it in this Bill. If there is anything to prevent that being done, I would ask the Government to come to our rescue to make provision in this Bill enabling the Bank to stand as guarantor.

THE HONOURABLE MR. BIJAY KUMAR BASU: Will you consider sub-clause (8) of clause 17? There is no mention of debentures there.

THE HONOURABLE SIR KURMA VENKATA REDDI: Yes, I suppose you will consider debentures are a kind of security.

THE HONOURABLE MR. BIJAY KUMAR BASU: Not of the Government of India or of a Local Government.

THE HONOURABLE SIR KURMA VENKATA REDDI: Well, Sir, I have not been able to follow the particular point. I have one other point to which I would invite attention and it is a point on which the Government of my province is very keen. You will find, Sir, that the Local Governments are asked to use this Bank as their Agent if they want to float a loan. They are bound to issue the loan through the Bank; there is a provision to that effect in this Bill. For this reason the Madras Government feel that there ought to be some provision for having a representative of their own, at least on the Local Board. I think that when certain obligations are placed upon a Local Government it is only right that they should be allowed some representation. Under the new constitution the provinces will become autonomous. Up to now the consent of the Government of India has been necessary for obtaining loans. I do not know if that consent would still be necessary when provinces become autonomous. Whatever the position, I think that proposal of the Government of Madras is a reasonable one and I trust that some provision will be made to ensure that of the three members to be nominated by the Central Board to the Local Boards one at least is a representative of the Local Governments.

Sir, I have only one word more to say. I have great faith in this Bill. I do not mean to say that it is going to usher in a new heaven and a new earth, but it does provide a machinery which if properly worked is bound to take us far indeed towards our aim and goal, namely, the placing of India in a position of equality with the other nations of the world in commerce and in trade and industry. Sir, objections have been raised and the the Bill has been examined very largely from the political point of view and many of the objections made in another place were based entirely on political grounds, and it did not appear to me that they viewed this measure from the point of view of its actual working. Sir, there are provisions in this Bill which enables Directors to call for a meeting of the Central Board; three Directors can call for such a meeting. There is another provision which enables them to call for a General Meeting over and above the Annual General Meeting, and if the Governor should in any way adopt a policy which is not consistent with the national interest it is open to them to call that into question and a vote of the general body

will always have its value. Then, Sir, the Governor General, whose powers are apprehended so much, has not got the power of removing a member of the Central Board unless backed up by a resolution of a majority of nine members of the Central Board. Now, if only there is unity amongst the elected members, and there are eight of them, they must form a majority. If those eight elected members work together I am perfectly certain that a policy in the best interests of the country could be laid down and successfully carried out. I believe the day is not far off when India and this City of Delhi—I am sorry they have not made Delhi the headquarters of this Bank—will once again acquire the position which it once occupied in India of the central monetary authority at least of this Continent. :

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I should like to make a few observations on this Bill before its clauses come up for consideration. At the outset I may say that the Bill as it has emerged from the Select Committee and the other House is a good deal improved than the one originally introduced in the other House. But it still falls far short of the expectations of the country. I may go a step further and say that it falls far short even of the Bill brought before the Legislature by the Honourable Sir Basil Blackett a few years ago. Of course, it is no use crying over spilt milk. The then Finance Member really desired to meet the wishes of the then Legislature and of the country as well. But the Swaraj Party intoxicated with its command over the majority in the other House demanded certain amendments as a result of which the country had to go without a Reserve Bank for all these years. Really speaking the country's loss is more than that. India now is under compulsion to swallow a measure which, as I said before, is far more retrograde than the previous one. When I say retrograde, I mean actually that the present one is a retrograde measure in comparison to the previous one. In the present measure at every corner of the Bill we find the stepping in of the Governor General in Council. Sir, in the very first speech of the Honourable the Finance Member we heard that the intention of the Government is to make the Bill free from political influence. I for one join issue with them and I say that I would also like to see the Bank free from all political influences. But the real difficulty comes in when we find that Government in their eagerness to satisfy the City of London implies by the term political influence, the influence of the Indians whether of the Congress group, the Moderate group or for that matter any other group in this country who may hereafter form the Indian Cabinet, if and when the proposed constitutional reforms gives the Legislature the chance of forming a ministry. In order only to avoid that political influence Government, in this Bill, have introduced the definition of the Governor General in Council to mean Governor General at his discretion. This Governor General at his discretion really opens the door to all sorts of influence of political parties in England through the Secretary of State. The Governor General under the new constitution will be nothing but a puppet in the hands of the Secretary of State and the British Cabinet which consists of nothing but the leaders of the political party in power in the House of Commons.

Sir, as I said before, I have no objection to see the establishment of a Reserve Bank really free from political influences, be it from the Indian side or from the British side. On the contrary, as I mentioned

[Mr. Jagadish Chandra Banerjee.]

before, the Bill paves the way for the political influence of the stronger side, *i.e.*, the British Parliament, and refusing the same privilege to the Indian Parliament, the weaker of the two. I think, nay, I believe, that this sort of high-handed measures are responsible for keeping before the eyes of India that she is a subject country and that she must swallow what her masters desire. In my opinion it is the forcing of such measures down the throat of India which are chiefly responsible for the estrangement of feelings between the two countries and to my mind such things will only widen the gulf between the two countries.

Then, Sir, in coming to the question of a State *versus* Shareholders' Bank, I do not like to go into the merits and demerits of the principle of the two. There must be advantages in the State Bank as well, otherwise there would not have been State Banks in so many of the advanced countries of the world. Even coming nearer home at the present day, even in England there is a section of British economists who desire a change of the London Reserve Bank into a State Bank. Further the assimilation of the system of a State Bank or a Shareholders' Bank depends on the conditions and the constitution which are prevalent in a country. At the present moment India faced with constitutional changes would very much like to have a State Bank as the future Indian Minister, who would be responsible for the finances of the country, must naturally desire to have a controlling voice over the Bank's currency and exchange policy, on which will depend the success or failure of his financial administration. Taking the case of the London Bank, he will be a very bold man who would declare that that Bank is free from the interference by the Cabinet or the Chancellor of the Exchequer in times of emergency.

Then I come to the question of the Shareholders' Bank as proposed in the Bill. Sir, the value of the shares have been lowered from Rs. 500 to Rs. 100. The main underlying idea in bringing down the value of shares was that the ordinary men of the masses may also invest in this Bank and the Bank will not fall into the hands of capitalistic groups or any other particular group. But the purpose has been defeated by making it permissible for any shareholder to accumulate any number of shares in his hands after the first allotment. As far as I could gather from the perusal of the debates of the other House on this Bill, I find that Government insisted that individuals must be permitted to purchase any number of shares as otherwise it will interfere with the free marketing of shares which according to the Government view is most undesirable.

THE HONOURABLE SIR HOMI MEHTA: Why?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I am just coming to that point. I admit, Sir, that in an ordinary shareholders' company this principle is necessary. But may I ask Government whether they are treating this Bank like the other ordinary shareholders' company? Are they giving the shareholders of this Bank all the other powers which the shareholders of ordinary Joint Stock Companies enjoy? I ask them whether they are prepared to give to the shareholders of this Bank the same right to appoint or remove the Board of Directors or the executives as are enjoyed by the Joint Stock Companies. Sir, if you go through the whole length of the Bill you will never come across any clause which gives the shareholders of this Bank the power of removal of the Board of Directors or the executives of the Bank if they decide on such

a course at a general meeting. That being the case, why only in one respect, that is, in respect of free marketing of the shares of the Bank, bring an analogy with the free marketing of shares of other Joint Stock Companies. Special diseases require special remedies. Special administrations require special measures to deal with them. This is a special measure dealing with a Bank, on the good or bad administration of which will depend the whole financial credit of the country and the whole financial fabric of the country. Certainly, therefore, it deserves special treatment. It is no use bringing the question of the free marketing of shares in this case. I make bold to say that in the name of the free marketing of shares Government has kept the door wide open for financial groups, either in India or outside, to purchase the largest number of shares even, if necessary, at a premium, for the purposes of sterilising a large number of votes and keeping down the number of voters to a minimum so that a few capitalist combines may run the Bank to their advantage. When I say the sterilisation of votes probably I have not been able to make myself clear. I may state here that the Bill has provided for two categories of shareholders. One is that group of shareholders who will purchase less than five shares and who will not be voters. The other group will be those shareholders having five shares and over and who will be voters. Now the first question that crops up is whether people from amongst the masses would come forward to purchase 100-rupee shares knowing fully well that they cannot get a dividend of more than 6 per cent. at the most and knowing fully well that they will have no voting rights. Everywhere people are demanding adult franchise and I do not see any reason why every shareholder should not have a vote. If we give every shareholder a right to vote irrespective of the number of shares he holds, then I think the purpose of making the Bank a Shareholders' Bank free from political influence would have been achieved. But on the contrary what happens is this. Take it for granted that 50 per cent. of the shares are owned by shareholders possessing less than five shares each and therefore they are all non-voters. By this means we sterilise a large number of votes which would otherwise have made such men voters. Then the rest of the 50 per cent. shares may be held by ten per cent. of the shareholders holding five shares each or it may be even possessed by five per cent. shareholders or even by one per cent. shareholders as there is no limit to the holding of shares by individual shareholders. Thus theoretically it is possible for a few to dominate the Bank. I admit that in the actual working that position may not arise. But why keep a door of evil prospect open in a legislation. Sir, legislative measures when enacted are always enacted in a very perfect manner leaving no door of evil prospects open. But, Sir, to our great surprise in the present piece of legislation the door is kept open intentionally for the evil prospect to come in and defeat the very object for which the Bank is made a Shareholders' Bank, namely, to make it free from political influences and other group influences.

At this stage I close my remarks and before I resume my seat I would request the Government even at this late hour to remove the defects in the measure as mentioned before.

THE HONOURABLE SARDAR BUTA SINGH (Punjab: Sikh): Sir, I rise to welcome this Bill which is going to give us a Reserve Bank. It would be useless now to enter into any detailed discussion as the matter has been thrashed out in the Legislative Assembly. The Reserve Bank does not give us all that we desire, but it is in any case a move, and a very big

[Sardar Buta Singh.]

move, in making India its own arbiter in financial matters. I would have greatly preferred if the question of fixing the ratio were left to the Reserve Bank. I would have also welcomed the provision for the immediate taking up of the deep problem of giving facilities for agricultural credits. These matters, I must emphatically assert, have been unwisely left in a different stage to which I would have desired. I have, however, strong hopes that the logic of facts will enforce decisions in no remote future in the right direction and it is with this hope that I give my support to this Bill.

THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR (Bengal: Nominated Non-Official): Sir, I welcomed the Bill at our Simla sitting but I tried to make it clear that it was not so much the political reasons behind it that made me acclaim it as a blessing. We, whose interests are identical with the hard-pressed agriculturists in the countryside and whose destiny is linked up with theirs in a much greater degree than any executive action could fasten our precious rupee to the paper-sterling, looked up to it in high hopes in the prevailing economic crisis. Although our wishes were, for reasons of State, not fully acted up to by the Finance Department of the Government, their spirit of goodwill and accommodation, as evidenced in the numerous improvements in the original Bill, is doubtless commendable; and I for one congratulate the Honourable the Finance Member as well as my friend the Honourable Mr. Taylor on the success that they have achieved so far.

Whenever I rise to speak on such difficult problems, as involved in the present measure and the like, I do as a layman more to get a clear understanding of the issues than to criticise. Sir, I took some pains to note with care the different view-points that have been given expression to since the Bill was placed on the anvil, and I may frankly confess that the maze created is too intricate now to follow out in all its windings. I can however freely state in the first instance that it would have been easier for me to appreciate the Government point of view in the controversy relating to a State Bank *versus* Shareholders' Bank, if they had refrained from adducing the argument of "freedom from political influence". That charming expression led the Government into an unnecessary wrangle, and put them against a monotonous and bothersome volley of words from the Opposition. Sir, if you will have noticed, there has been of late a greater inclination in the country to look upon more favourably the hammer-strokes of a straightforward politician than the cleverly-worded phrases of a diplomat. I need not repeat that my personal leanings are towards a State Bank. I do not, of course, believe that the Governor General will always be anxious to put in an improper finger into the Bank's policy; but I cannot agree to the view that India cannot look after itself unless its monetary and banking conditions are made healthy under the guidance of the Bank of England. No one can deny that the business of a Reserve Bank is to all intents and purposes a public trust; and particularly when it will be in charge of Note Issue such a Bank cannot be a mere concern of the bankers, industrialists and merchants only. The poorest man in the field is as much affected by the purchasing power of the notes as the richest in the country. I may however say that the attitude of the Europeans, as disclosed in this

connection, is quite admirable. They have openly declared that no single section among them is anxious to make a corner in the shares of the Bank or to get a preponderance on its Directorate.

The next important point that strikes me is the power and scope of the Bank to give credit facilities towards a rejuvenation of industry, trade, and agriculture. It was in 1890 that pointed attention was drawn by the First Industrial Conference to the paralysis of industry in rural India due to the poverty of resources of the classes engaged in the production of wealth. It has ever been a grievance with the Indian people that banking reform in India has not been directed to the making of the bankable capital available for development of Indian agriculture, industry, etc. Properly speaking, India has up to this time had no banking system. The whole structure of banking was really without its "crown". With three-fourths of the internal capital being in the hands of the Government of India, who are primarily the bankers to Railways and Local Governments, the banking agencies, which had the control of credit apart from the administration of currency, could not reasonably be expected to do much towards the solution of the greatest economic problem of the country. In setting up the "crown" we all have to remember that the stability of the monetary system so as to keep the prices at a level ensuring the economic prosperity of the Indian producer, and the credit policy of banks to make capital available to him are the two objects which concern the public of India more than anything else at this moment.

To encourage production and consumption and to help thereby in raising the standard of living of the Indian masses ought to be the chief duty of the Reserve Bank. The development of the co-operative movement in the right line will go a great way to quicken agricultural progress, and the Reserve Bank can never overlook or be tardy in recognising this all-important fact. The management of the Bank has therefore to find out ways of such development as a greater duty that it will owe to the country than even an highly efficient conduct of its day-to-day business. The Bankers' Industrial Development Company, as instituted by the Bank of England in 1930, is only a sign-post in that line. It is really distressing that there is no harmony amongst all sections of legislators even in the midst of a momentous crisis. But the wide interest that the proposal of the Reserve Bank evoked in the country is a sure sign of our greater economic consciousness, which somehow or other will let nothing but a Bank of the right type function very long. The Bill itself cannot of course lay down any cut and dried policy. But no one should blame or ridicule those who take care to scrutinise the provisions so that they may not act as a bar sinister to the development of a sound economic policy. No sane man will wish it to turn into an institution for costly economic experiments similar to some of our Provincial Government departments, such as that of agriculture, etc.; and we know it as a fact from the failure of the South African Reserve Bank that a Reserve Bank is not always secure against risks and dangers.

I feel I need not go into other points now, which can be discussed more appropriately during the consideration of the different clauses of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa: Muhammadan): Mr. President, the Bill before us is of such momentous importance that we cannot really discuss it with the amount of care that it



[Mr. Hossain Imam.]

requires without going deeply into its merits and demerits. This Bill has met with a barrage of constitutional objections here and in the other place too. Some of them were condoned and some were brushed aside. It is rather unfortunate that a measure of such importance should be brought forward in such a hurry that proper consideration could not be given to the constitutional aspect. When this Bill was referred to a Joint Select Committee of the two Houses, I felt very much elated because I have been fighting that more Bills should be referred to Joint Select Committees than has been the case during the last seven years. (Hear, hear.) When the motion for Joint Select Committee was made by our Honourable colleague the Finance Secretary, I warned him that in forming the Committee he should see that the Committee was of sufficient importance and independence. But I am afraid, Sir, that the Finance Secretary did not take my warning, with the result that in the other place people had something derogatory to say about the way in which the Members of this House behaved in the Select Committee. I too found that whereas from the Assembly not a single nominated Member was sent to the Joint Select Committee, the Honourable the Finance Secretary sent three nominated Members from here, although we were glad to have one of those three nominated Members who proved a tower of strength to the Opposition. If all the other Members had been like him, we would have been rather glad to have them.

THE HONOURABLE SIR KURMA VENKATA REDDI: May I point out, Sir, that in the other place, one elected Member said that he did not believe in the lottery of the ballot box and that in support of the very system of State Bank, which is for them a guarantee against the elected Members?

THE HONOURABLE THE PRESIDENT: I think it will be better if this Council avoids frequent reference to the other House.

THE HONOURABLE MR. HOSSAIN IMAM: Very well, Sir. But I should like to point out that this Bill which has emerged from the Select Committee has emerged in a peculiar fashion. Out of 28 members who composed the Joint Select Committee, it could only find nine members to support it *in toto*. Nineteen members have written notes of dissent on one point or another, including our Honourable colleague the Finance Secretary and only nine clauses have emerged without any amendment. I am not going to deal with the first point except that I wish to point out that out of the nine members who supported it wholeheartedly, five were Members of the Assembly —.

THE HONOURABLE THE PRESIDENT: Don't you think that it is no use now referring to those matters? It is rather too late.

THE HONOURABLE MR. HOSSAIN IMAM: I only wanted to point out how many elected Members supported it. If you do not wish it, it does not matter. Now, Sir, it is a well-known fact that the authority which controls the credit of a country is the authority which really sets the price of everything. By its operation it can either wipe out all the debts or it can double or treble the burden of debts. We have the example of

Germany which, after the war, with the phenomenal fall in the Mark, effected a very desirable and socialistic—I might even say communistic—measure of wiping out all the debts of the country by so reducing the value of the Mark that it became a difficult task to find out exactly whether a million Marks were worth a penny or more. It was the Deutsch Bank that did it. Our Reserve Bank too could have been utilised by us to reduce the burden of debt, to reduce the internal debts of the Government of India or do other socialistic things if it were not bound to maintain a certain exchange ratio in outside countries. It is that which is preventing it from doing any useful purpose. We are told that we are creating a Reserve Bank in order that they may manage the currency to the best advantage of the country, but we put a stop to its scope. The ordinary measure for increasing the price level is to inflate the currency. The moment they start inflating the currency, exchange will tumble down but they are under a statutory obligation to maintain the exchange. The moment they want to decrease the price in the country and start deflating the currency, exchange goes up, and they have got to put a stop to that. They are hampered on all sides. They have got no liberty of action. They have no initiative left in the management of the currency. It is all talk that the Government are giving us any scope to manage our currency. It may be that the Reserve Bank which is now being created will be independent of British influence, but it is very problematical. The provisions of the Act make it impossible for them to work the currency with any measure of independence. For this reason, Sir, we on this side of the House would have favoured a return to the position in which we were before 1927. It will be fresh in the memory of many Members of this House that the Currency Act of 1927 was not passed as a permanent measure. It was an interim measure pending the establishment of a gold standard Reserve Bank, and to say now that we must accept that as a substantive piece of legislation is not quite just on Indians. Ever since we came back to the gold standard after the Fowler Commission about three decades ago we have had no fixed exchange ratio. Up to 1926 the position was that the Government of India maintained the exchange at a certain figure by executive action. In 1920-21 when we fixed 2s. gold as the value of the rupee, we could not maintain that, and Government had to give it up in six months after squandering and wasting a lot of money. But that was not a sufficient lesson to the Government. They want again to embark on stabilization, and so far stabilization has been maintained not because the Government have been successful but because of the drain of gold which has poured out of India and a golden opportunity of acquiring foreign exchange in the shape of gold has been lost by the Government of India. We have always had to go to foreign countries, create foreign credits and then buy gold in foreign countries for import into India. This was done either through export surpluses or, as was done after the war, by the creation of foreign credits. But having acquired gold in the country we could have got it in exchange for rupees. That might have been said to be a speculation but it would have been a successful speculation if the Government had embarked on it. The price at which they could have bought in 1931 or even 1932 bears no relation to the price which gold commands nowadays when the dollar has fallen to 5.06 to the pound and the pound is valued at 78 francs. It would have been a successful speculation. We could have gained more money and in addition we would have avoided the stigma attaching to the Government that

[Mr. Hossain Imam.]

it does not care to retain wealth in our country. But, Sir, there was a great difficulty facing the Government. They could never have maintained the 1s. 6d. ratio. It was to maintain that ratio and only for that purpose that the free export of gold has been allowed. We have brought forward Resolutions asking the Government to put a revenue export duty on gold. Even the Federation of Chambers of Commerce in Calcutta last year asked the Finance Member to impose a revenue export duty on gold, but the Finance Department would not accept it because they knew that without this artificial prop the 1s. 6d. ratio would tumble to the ground the moment a stop was put to the free flow of gold. This Bill has been utilised by the Government not to keep the position as it was before the passage of this Act. They have been saying in so many words that they did not wish to change the position. But at the moment there is no point at which Government is compelled to buy sterling. Government is compelled according to the Act as in force now to sell sterling in place of gold at a rate at the moment prevailing, but there is no point at which Government would be compelled to purchase sterling. We are imposing a new law which does not exist, and still the Government says that they are not utilising this to alter our exchange position, and we are thought to be utilising this as an occasion to grind our own axe. But the first step has been taken by the Government in bringing forward a measure which has no statutory existence up to now. The Preamble of the Bill says that this measure is only an interim measure and it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system. Well, does not the spirit of this preamble require that Government should have no cut and dried exchange provision and do it by executive action? Even when the Bank is created they could, by asking the Bank to create a credit in England for them, continue to manage the exchange as they have been managing it all these years, as they managed up to 1926. And, Sir, it would have been so easy for the Reserve Bank to go on without having any direct responsibility for the maintenance of this exchange. You are well aware, Sir, that in England the Bank of England is operating and maintaining the exchange on the strength of the Exchange Equalization Fund. We also know that the United States of America have but recently created an enormous exchange equalization fund to maintain the exchange. These two notable Reserve Banks of the world have not been able to maintain the exchange without the prop of an exchange equalisation fund of enormous magnitude. How can we expect this Bank of ours to maintain it? And it is here, Sir, that we have wanted to safeguard our gold and, as Sir Purshottamdas in his evidence said, we wish to sit upon it. It is for this reason that we are afraid that it will be impossible for the Reserve Bank, at the first breath of an adverse trade balance or the stoppage of gold export, to prevent the whole thing from tumbling down. We are afraid, as in 1920-21 when our outside resources were squandered, that in the same way all that the treasury has accumulated as foreign resources will be wasted and the inevitable will happen, the exchange will fall down. In this connection, Sir, knowing the attitude of the House and knowing the Opposition's absolute inability to make any amendments in the Bill in the face of Government opposition, I have not brought forward any amendment. It would have been a sheer waste of

time on my part, a wasting of the time of the House and of my own time. Therefore, Sir, I should like with your indulgence to deal with a few important points on which I have written my note of dissent and which I wish to bring to the notice of this House. In this connection I should like to point out to the Honourable the Finance Secretary a lacuna which I find in the Bill. In section 33 we have laid down how we are to value our assets in the Issue Department. The valuation of the assets of the Issue Department are to be made according to certain given rules. Gold is to be valued at a certain rate per rupee. Rupee is to be valued at its face value. We do not find any valuation for sterling. How are you going to value your assets in sterling? We have got a lower and a higher point at which we are to sell and purchase sterling. But how are we to value the sterling which will be at the moment in the Reserve Bank? I do not find that in the Act itself. Perhaps the Honourable Member would like to make a suitable amendment to remove this defect. In the second place, Sir, I find in section 4 that the Central Board shall reserve and allot to Government shares to the nominal value of so much. But under the General Clauses Act, the word "Government" is defined as meaning the Government of India as well as the Provincial Government. Therefore a suitable amendment here too is requisite to make clear that by this clause we do not wish to allot to Provincial Governments but to the Central Government the shares dealt with in sub-clause (8) of clause 4. These are the two technical objections which I think the Finance Secretary will himself remedy.

Coming now to the other provisions of the Bill, we were, Sir, from the very beginning opposed to a Shareholders' Bank. We wish that it  
 1 P.M. should be either a State Bank or a Stockholders' Bank. This point has been sufficiently discussed already and therefore I am not going to waste the time of the House. But I should like to point out that it seems a little anomalous that while Rs. 5 crores of the capital are going to be subscribed by shareholders and a present of Rs. 5 crores is going to be made by the Government of India for the creation of a Reserve Fund, the Government of India representation should be so small. As we are both contributing equal parts to the capital of the Bank, Rs. 5 crores each, it would have been in the fitness of things if the representation of the Government, or in other words, of other than the shareholders by which I mean agriculturists, co-operators and people of that kind, nominations had been more. Have it in the form of nominations or electoral colleges, whatever it might be; but non-shareholders should have been more substantially represented in the Board of Directors than has been done in the present Bill.

The point about the location of the head office and branches has been sufficiently discussed and amendments are going to be moved. Therefore I need not deal with that point either.

Sir, the first serious objection which I have to this measure is in connection with clause 17. Power has been given to the Reserve Bank in this clause to borrow money inside the country. To me it seems a bit anomalous that with the enormous resources of the Reserve Bank in its Issue Department it should have to go to the open market and further deflate the credit by taking all the money from the market in the shape of loans. I am afraid, Sir, that this provision has been put in for the same old purpose of sustaining the 1s. 6d. ratio. Otherwise a creator of

[Mr. Hossain Imam.]

wealth does not require any loan operation in India. I think the Government have rightly given the Bank the power to take loans outside the country and the Bank would be perfectly justified in doing so. It will be called upon to finance Government expenditure in England and they may not be in a position to get exchange facilities and they would have therefore to get credit facilities outside. But the power to borrow money in India can be utilised for two purposes. One is to give the Imperial Bank a chance to make money which they cannot do in ordinary circumstances. Whenever the Imperial Bank have surplus money the Reserve Bank might take it on loan and pay interest on it; otherwise perhaps the Imperial Bank would not get interest. This is very unimportant. I do not think this is the main idea. The main idea seems to be to further deflate and thereby strengthen the exchange whenever it starts falling down. Therefore I take strong objection to sub-clause (14) of clause 17.

Now, Sir, as far as the other portions of the Bill are concerned, I have noted in my minute of dissent that we have accepted some of the provisions of this Bill as a mere matter of compromise although we did not agree and did not feel that it was the best measure that we could possibly have; but as there was a prospect of a compromise we accepted those provisions. I am referring to the provision relating to Rs. 40 crores of gold holding. When we asked that the entire gold holding of the Government of India should be transferred to the Reserve Bank the Government very kindly agreed and said that it was their intention always to do so; but when we wanted that the whole of it should be earmarked as a reserve which should not be touched except as a measure of last resort, Government could not agree; and as a compromise it was suggested that in the place of Rs. 35 crores which was in the former Bill it should be Rs. 40 crores. That decision meant that the Government too should have accepted this. I am very glad that in the other place the amendment of the Government was not carried. In my note, I have drawn attention to the fact that the Reserve Bank will be practically debarred from sustaining our credit in London because they are not authorised to keep in their Issue Department assets, internal or external, the Government of India sterling loan securities; and it is an admitted fact which has been thoroughly well found in practice that Reserve Banks concentrate on interchangeable securities. Even in the Central Banking Department they have a very small proportion of such asset which they held in the Issue Department, because the only advantage of joining the central banking and currency functions in one authority is to co-ordinate the two and this co-ordination could not work unless the securities of the Central Banking Department were such that at a moment of stringency they could be transferred to the Issue Department so that they could tide over the difficulty. Being a Bankers' Bank, they could not fall back upon others to support them; they will have to support others and therefore it is eminently desirable and necessary that their assets should be liquid and interchangeable. I tried my level best in the Committee to make this important amendment, but failed. It is up to the House now to see if they can accept it. They may accept it or they may not. But it seems necessary. I am sure that even the working of this Bill will show the Government itself that it is desirable that our credit should be sustained in England. It will be fresh in the memories of most of

the Members of this House, and they can recall that when the Government floated a  $3\frac{1}{2}$  per cent. loan in the beginning of the summer of last year, within eight days they had to float a loan in sterling in England at 4 per cent.,—at a higher rate than they could get facilities in India,—with the result that the  $3\frac{1}{2}$  per cent. loan went down and it has not yet recovered to its old position.

THE HONOURABLE MR. BIJAY KUMAR BASU: What was the ruling rate in England then?

THE HONOURABLE MR. HOSSAIN IMAM: The ruling rate was  $3\frac{1}{2}$  per cent. for English loans. Now, Sir, I have already stated that I object to the inclusion of the exchange provision in the Bill. And I would like that we should have no provision of this nature and we should not restrict the Reserve Bank to maintain the exchange, because it would be too great a burden to place on its shoulders. When the non-official Member from Madras was speaking he took us to task for objecting to the linking of the rupee to the falling sterling although our idea was to make the value of the rupee fall. Perhaps the Honourable Member did not realise that our objection was based on the fact not that it is not falling but that it is not falling sufficiently fast and not to a sufficient extent. The American dollar has appreciated. Then they went off the gold standard and then in a sliding scale it came down until it was on a parity with sterling. But they were not contented with even this. They went back and had the gold contents reduced by 40 per cent. so that now they are below the old parity and at 5·07 whereas the original rate was, I think, 4·84. There is a fall of 5 per cent.

THE HONOURABLE SIR HOMI MEHTA: Have you any idea at what a sacrifice America did it? They lost about 3,000 million dollars to acquire that. Would India ever be able to stand that amount of loss to get it?

THE HONOURABLE MR. HOSSAIN IMAM: They have gained in other ways. You have seen 2,400 million dollars have been added as increased valuation of gold in the holding of the Federal Reserve Bank. That has quashed the enormous deficit of 1,700 million dollars and has resulted in a surplus of about 800 or 900 million dollars. That is the gain they have made out of this.

In addition to this, Sir, I was pointing out our objection was that the fall is not rapid enough and the second objection that we had was that no country in the world has after the war increased its parity with gold except India which before the war was on a parity of 1s. 4d. with gold but after the war it went up to the 1s. 6d. And now our relation to sterling is not on the old basis of 1s. 4d. which has been hallowed by more than a quarter of a century, but at 1s. 6d. It was for this reason that we objected, and we object now. And it was this reason that when England went off the gold standard, our Finance Member by an Ordinance did the very thing which we are now asking the Government to do. Then for one day the rupee had no gold basis and it was not linked to sterling. We have been hammering at it times out of number and asking the Government to do what it did on its own initiative and without interference from outside. It is for this reason that we object to the linking of the rupee to sterling. England has tried to evaluate the rupee to meet her own demands. England has got a difficult position to maintain. She is a creditor country. She has investments outside and she is a manufacturing

[Mr. Hossain Imam.]

country. She is interested in selling things cheap but she does not wish to lose all the profits accruing from her investments abroad. For these two reasons they let prices fall to a certain level and then cried a halt and stopped the fall. We have seen, Sir, that in France the pound has been bobbing up and down between 77 and 84 francs. They have not yet made up their minds what will be the best policy. Just in the same way we think that we also require that we should have an opportunity to find out what is to the best interests of India and we should allow it to fall to that level. We should not be made to run with the pound and bob up when it goes up and down when it goes down. That is harmful to the interests of India too and harmful to the agricultural credit.

Then our friend took us to task and asked whether this devaluation of the rupee in terms of gold has caused the rise in prices of agricultural commodities. There, Sir, I should like to point out that it is only a comparative statement of rise and fall that we possess. If he will look at the gold standard countries he will see that the process of falling prices is still continuing. The fall in prices has not stopped in France and in the gold block of Europe. Then we see that even the stationary condition that we are maintaining in India is a blessing and is simply due to our going off the gold standard in India. Then our friend made a very pathetic and moving appeal and gave a grave warning to the Government which Government would do well to take heed of, coming as it does from a person like my Honourable friend. It is not an idle boast, and does not suffer from the exaggeration which the Opposition are supposed to be habituated to. It comes from a friend of Government and one who has served it very well. Their difficulties can best be helped by devaluation. As my Honourable friend said, the burden of debts should be lightened. How better can you lighten the burden of debt than by reducing the value of the coinage that has got to be paid? The silver rupee in which the debtor has got to pay now is valued at a certain figure. If you decrease the value of the rupee you will be materially helping the agriculturist and that will be the best help that you can give because India as a producer of raw materials should have her produce sold in foreign countries at prices at which we can undersell our rivals. Japan is doing this. How is Japan able to maintain her prices so low in India now? We have devaluated the rupee, we have left the gold standard, and so has Japan, but if we had stood at the same level with the yen as when we were on the gold standard, it should be at Rs. 130 to 100 yen. That was the old parity. They have now come down to Rs. 80 or even less to 100 yen.

THE HONOURABLE SIR HOMI MEHTA: What is the Budget loss?

THE HONOURABLE MR. HOSSAIN IMAM: The Budget loss would have been made good. It has always been said that our burden of outside debt will become heavy when the rupee is devalued. This is fallacious. The moment you devalue the rupee, I know that you will have to spend more crores in the payment of external debts. But we will be receiving more crores in the shape of customs duties. Automatically the price of imported articles will go up in the same proportion, with the result that we will strike a balance. Rupees 45 to 46 crores is the amount which my Honourable friend will be receiving from customs in this year which is about to close. He would be receiving Rs. 52 crores if we had 1s. 4d. to the rupee.

THE HONOURABLE SIR HOMI MEHTA: The present policy of the country, Sir, —

THE HONOURABLE MR. HOSSAIN IMAM: I am not going to give way.

THE HONOURABLE SIR HOMI MEHTA: The present policy of the country, Sir, —

THE HONOURABLE THE PRESIDENT: Order, order. You will have your own say in your turn.

THE HONOURABLE MR. HOSSAIN IMAM: Then, Sir, as regards the present policy, India has got to finance its needs. There are two kinds of imports and exports, visible and invisible. We have to pay an enormous amount to England for England's invisible exports to India in the shape of the demand for pensions and for interest on debts. That demand is not financed by book transactions. It has been the practice of the world, Sir, to pay back in goods. That is one reason why Germany could not continue to pay the war debts because the creditor countries put restrictions on the export of German goods. Therefore, the German Government proved that it was impossible for them to pay back. As an Honourable Member of the Assembly very wittily remarked, the balance of trade of the world is zero. Taking the visible and invisible balance of trade, this is perfectly true. We have to pay this amount. We cannot pay it unless England or the rest of the world takes goods from us. But now we pay by means of this gold. I cannot say how long this gold drain will go on. There is no doubt that India has got enormous quantities of gold. The amount that has gone out is not even 50 per cent. of the gold which we have accumulated during centuries. With all this, Sir, it is rather strange that of all the countries in the world, we should alone be the seller of gold, while most others, even those who have gone off the gold standard like England, are buyers of gold. Now, the Bank of England has increased its gold holdings since September, 1931, by an appreciable percentage. Our Government in India with this gold which it could buy on any day in the internal market does not come forward to buy. I was pointing out, Sir, that by devaluation my Honourable friend will be materially helping the agriculturist and deferring the danger which he sees of communism into this country. The prices have fallen so low that the agriculturists find it difficult to meet their day to day demands. All this distress gold has gone out of the country to meet not the capital expenditure for which it ought to have been utilised, but to meet the day to day expenditure. Now, when that capital is exhausted, when the agriculturist finds that he has got no more gold ornaments to sell, what will he do? He has got to pay his bunya and his landlord. He has got to pay to his Government and a host of others, for services rendered to him. There is a Persian proverb,

"Her ká dust az jan bá shoed,  
Her cha dur dil darud bá goed "

i.e., "A man who becomes desperate does not stand on ceremonies. He goes to the very quack for the remedy although he knows that he is a quack." But still, something is better than nothing and some remedy will be taken whether it is good, bad, or evil.



THE HONOURABLE SIR HOMI MEHTA: Last week's shipment was Rs. 5½ crores in gold.

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE MR. HOSSAIN IMAM: My Honourable friend pointed out that a lower exchange would not help us and that that is no cure for our ills. I admit that it is not the only cure. It is one of the cures and a National Government would have taken it as the first step in a programme of co-ordinated co-operation. What we require now is some sort of guarantee for agricultural export. But Government cannot find the money. We have got to get it. One of the measures is deflation which will add something more than Rs. 35 crores to the value of the Issue Department in the shape of the increased gold value and in the shape of re-valuation of our sterling acquirements. If we go back to 1s. 3d. paper sterling we could have Rs. 42½ crores of addition to the surplus with which to finance these beneficial measures as the United States has done just now. Japan by its deflation has ousted all its rivals outside as well as inside. We have been compelled to bring forward measures of additional taxation against Japan and the measure is still under consideration in the other place. We have had to take action against Japan about these textile goods and other things, because they have made it possible to sell things cheap in the outside market and still get a sufficient amount in their own country to meet their own expenditure. I should like to remind my Honourable friend that lower exchange was accepted by the British Government itself and it was the British Government which gave to the world a lead in lowering the exchange. They were the first to go off the gold standard among the major countries of the world and it is on their example that we are going and wish to go.

THE HONOURABLE SIR KURMA VENKATA REDDI: Would you make a token payment?

THE HONOURABLE MR. HOSSAIN IMAM: If it were possible to make a token payment we would. While I am on this point I should like to mention one special item. I have set in my note of dissent, and I have stated that I should have liked that the surplus profits of the Reserve Bank which are going to be given to the Government of India should be paid back to the Government of India in the shape of sterling loans scrips so that we can have a sort of Debt Redemption Fund. This should be ear-marked for the redemption of debt. Our experience has been in the last six or seven years that this debt redemption fund has been in existence, it has never been utilised to reduce our sterling debts. It has been used no doubt to pay back whatever it was compelled to pay back out of the railway annuities and certain other fixed charges in the terms of the loans in which it was said that such and such an amount will be paid back each year; but the rest of the money has not been utilised for this purpose. Therefore I wish to earmark all the profits that would accrue to the Governor General in Council from this Reserve Bank for the cancellation of sterling debts so far as the amount available permits. By this means a definite programme of debt cancellation in England would be set up, and what would have been even better than that, our credit would have been very much better sustained and we could have borrowed money at cheaper rates of interest if we had the

power to purchase in the open market. As you know very well, it is axiomatic that when Government operates in the open market, that at once reduces the rate at which accommodation can be had.

I had wanted to go a step further in connection with one measure which the Honourable Financial Secretary specially mentioned, namely, the convertibility of notes. No doubt India is a conservative country and it likes to stick to old formulas. But we know how difficult and troublesome it has been to maintain two sorts of token coins, one a paper note and the other a silver note. I had therefore asked that this opportunity should be taken to make the rupee, instead of the unlimited legal tender which it is at present, into legal tender up to the sum of Rs. 100 only. That, while safeguarding the convertibility of the notes, would have the effect of reducing the popularity of the rupee to a certain extent, and thereby we might help materially the Government and the Reserve Bank by making the notes more popular, as they would remain unlimited legal tender while the rupee would be handicapped. That would have gone a little step towards reconciling the Banking Enquiry Committee and Hilton Young Commission's suggestion; that we should try not to stick to the convertibility of notes into rupees.

Now, Sir, about the Agricultural Credit Department —

THE HONOURABLE THE PRESIDENT: How much more time are you likely to occupy?

THE HONOURABLE MR. HOSSAIN IMAM: About half an hour.

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The Council then adjourned till Eleven of the Clock on Wednesday, the 14th February, 1934.



## COUNCIL OF STATE.

*Wednesday, 14th February, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### MEMBERS SWORN:

The Honourable Mr. Bertrand James Glancy, C.S.I., C.I.E.  
(Political Secretary).

The Honourable Saiyid Raza Ali, C.B.E. (United Provinces:  
Nominated Non-Official).

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### QUESTIONS AND ANSWERS.

#### JUTE EXPORT DUTY.

22. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Will Government be pleased to state whether they have decided to give fifty per cent. of the jute export duty to Bengal? If so, when will the money be available for Bengal?

THE HONOURABLE MR. J. B. TAYLOR: The Honourable Member must not expect me to anticipate the Budget proposals.

#### TELEPHONE CHARGES, DACCA.

23. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Have Government received any petition or petitions from several gentlemen of Dacca regarding the lowering of telephone rates at Dacca? If so, will Government be pleased to state what action they have taken regarding those petitions?

(b) Are Government considering the possibility of lowering the telephone charges at Dacca? If so, when will the lower rates be introduced at Dacca?

THE HONOURABLE MR. D. G. MITCHELL: (a) and (b). Certain representations were received. No action has been taken on them but Government have under examination a reorganization of the scale of telephone charges at Dacca and elsewhere.

## RAILWAY BRIDGE OVER MEGHNA RIVER, ASSAM BENGAL RAILWAY.

24. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:

(a) Will Government be pleased to state whether there is any scheme to erect a railway bridge from Bhairab on the Assam Bengal Railway over the Meghna River? If so, when will the work of construction of the proposed bridge be commenced?

(b) Is it a fact that the work of construction of the said bridge cannot be started owing to the negotiations of the Bengal Chamber of Commerce and the India General Steam Navigation and River Steam Navigation Companies? If so, will Government be pleased to make a brief statement on the correspondence that has so far passed between Government or the Assam Bengal Railway authorities on the one hand, and the Bengal Chamber of Commerce, India General Steam Navigation and the River Steam Navigation Companies on the other?

(c) Will Government be pleased to state the decision they have come to on the construction of the said bridge?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) The construction of a railway bridge over the Meghna River is under consideration, and the likelihood of the expenditure involved being remunerative is now under investigation. Until that investigation is completed, it is not possible to say whether, and if so when, the work of construction will be commenced.

(b) The project is not held up owing to objections raised by the Bengal Chamber of Commerce or the River Steamer Companies.

(c) No decision has yet been arrived at regarding the construction of the bridge.

RECRUITMENT TO SUBORDINATE SERVICES OF THE POSTS AND TELEGRAPHS  
DEPARTMENT IN BENGAL.

25. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:

(a) Will Government be pleased to state the number of hands recruited in the subordinate services in all the branches of the Posts and Telegraphs Department in Bengal since 1931, with their names and native districts?

(b) Is it a fact that the place of recruitment in Bengal being Calcutta the hands recruited mostly belong to West Bengal?

(c) Were the appointments in the subordinate services of the Posts and Telegraphs Department in Bengal made by competitive examinations? If not, why not?

(d) Will Government be pleased to state whether candidates belonging to any Revenue Division adjacent to Calcutta have been appointed in Calcutta in the subordinate services of the Posts and Telegraphs Department since 1st September, 1926? If so, how many and why?

THE HONOURABLE MR. D. G. MITCHELL: (a) Government regret that the information is not readily available and could not be obtained without undue difficulty.

(b) The Honourable Member's assumption that Calcutta is the only place of recruitment in Bengal, is not correct. The question, therefore, does not arise.

(c) No. It was not considered necessary to introduce such examinations.

(d) Yes. Government regret that the information regarding the number of men appointed in Calcutta who belong to the Revenue Divisions adjacent to Calcutta is not readily available. The appointment of such men in Calcutta was permissible.

THE HONOURABLE SAIYID RAZA ALI: Have Government had occasion to examine lately the general question as to how far recruitment to this branch of the public service should be made by pure competition, how far by nomination and how far by competition combined with nomination?

THE HONOURABLE MR. D. G. MITCHELL: I am not aware that any special inquiry has been made on this point, but it is a question which Government have always in view in dealing with recruitment at all times. I would point out to the Honourable Member that the inferior servants referred to include both peons and linemen and that the question of competitive examination for recruitment for peons is probably not a live issue.

THE HONOURABLE SAIYID RAZA ALI: Am I to understand that the policy of the Government is the same as it was in 1925 when a Resolution to this effect was adopted in this House?

THE HONOURABLE THE PRESIDENT: You can claim notice.

THE HONOURABLE MR. D. G. MITCHELL: I should like notice of that question, Sir.

#### TRUNK TELEPHONE LINE FROM CALCUTTA TO DACCA.

26. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: (a) Will Government be pleased to state what they have done with regard to opening a trunk telephone line from Calcutta to Dacca? Have they begun any work in connexion with this matter? If so, when and what progress has been made in the matter of laying the line?

(b) Will Government be pleased to state what will be the charges for a trunk telephone call from Calcutta to Dacca when the line is opened for the public?

THE HONOURABLE MR. D. G. MITCHELL: (a) The question of opening a trunk telephone line from Calcutta to Dacca has been under consideration for some time but owing to the high cost entailed, mainly because of the river crossing, sanction to the scheme has been deferred. Further enquiries are now in progress.

(b) At the standard rate now in force, the charge for a call of unit length of 3 minutes between Calcutta and Dacca would be Rs. 2.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Is it the only place where high cost underlying such a proposal like that of river crossing stands in the way?

THE HONOURABLE MR. D. G. MITCHELL: I must ask for notice of that question, Sir.

### CARRYING OF AIR MAILS BY INDIAN NATIONAL AIRWAYS CO., LTD.

27. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Do Government give any subsidy to the Indian National Airways Co., Ltd., that carry mails from Calcutta to Dacca and from Calcutta to Chittagong and *vice versa* ? If so, what is the amount ? Will Government be pleased to make a statement on the nature of the contract for carrying such mails between Government and the Indian National Airways Co., Ltd. ?

THE HONOURABLE MR. D. G. MITCHELL : No subsidy is paid to Indian National Airways. There is no contract with the Company for the carriage of mails but payment is made by weight at the rate of Rs. 2 per lb. for conveyance of air mails between (1) Calcutta and Dacca and between (2) Calcutta and Chittagong.

### AERODROME AT DACCA.

28. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : (a) Does the aerodrome at Dacca belong to the Royal Air Force of the Indian Army ? If so, will Government be pleased to state why the 'planes of the Indian National Airways Co., Ltd., are allowed to land and park therein for commercial and pleasure flying ?

(b) Has it been represented to Government that the present timing of the departure of the air mail from Dacca has caused a good deal of inconvenience to the public and that there is a demand for changing the present timing to the old timing which was 2 P.M. (standard time) from the Dacca General Post Office ?

(c) Will Government be pleased to state what steps they have taken in the matter ?

THE HONOURABLE MR. D. G. MITCHELL : (a) Yes. Permission has been granted to Indian National Airways to use the Dacca landing ground on payment of the fees laid down by the Government of India for the use of Government landing grounds by commercial concerns.

(b) No; on the contrary, the change of the timings has been of advantage to the public.

(c) Does not arise.

### AERODROME AT DACCA.

29. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : (a) Will Government be pleased to state whether they have received any application from any private gentleman from Dacca to allow his aeroplane, which would be solely used for pleasure flying and not for any commercial purpose, to land and park in the aerodrome at Dacca ? If so, will Government be pleased to state what they have done on that application and what is the name of the applicant ?

(b) Is the aerodrome at Dacca under the control of the Director of Civil Aviation of the Government of India ? If not, who are its controlling authorities ?

**THE HONOURABLE MR. D. G. MITCHELL:** (a) The answer is in the affirmative. The applicant, who is Mr. N. N. Roy, a zamindar and Honorary Magistrate at Dacca, has been permitted to use the landing ground on payment of the usual charges to the Royal Air Force. The question of a site for Mr. Roy's hangar is under investigation.

(b) No. The aerodrome belongs to the Royal Air Force and is controlled by them.

**DIRECTOR OF CIVIL AVIATION.**

**30. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** What are the functions of the Director of Civil Aviation to the Government of India and what is his salary?

**THE HONOURABLE MR. D. G. MITCHELL:** The Director of Civil Aviation in India is the chief technical adviser to the Government of India in all matters pertaining to the policy and development of civil aviation in India and is the administrative head of the Civil Aviation Directorate. The post carries a rate of pay not exceeding Rs. 2,500 per mensem, the minimum pay being Rs. 2,250 per mensem. The salary of the present incumbent is Rs. 2,500 per mensem.

**INDIANS IN THE ROYAL AIR FORCE AND INDIAN AIR FORCE.**

**31. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** (a) How many Indians are there in the Royal Air Force in India? Will Government be pleased to state their names and qualifications and whether they received any training in England?

(b) Is there any Indian Flying Corps of the Indian Army? If so, will Government be pleased to state the number of Indians in the said Corps?

(c) If Indians are not appointed in the Indian Flying Corps, will Government be pleased to state why they are not taken?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF:** (a) None, Sir. The Royal Air Force is a purely British service and is not open to Indians.

(b) Yes. The Indian Air Force was constituted on 8th October, 1932, and contains at present the following Indian personnel:

Officers . . . . .	5
Cadets under training in England . . . . .	8
Airmen in the Squadron . . . . .	24
Airmen (Motor Transport Section) . . . . .	116
Airmen (non-combatant) . . . . .	332

Enrolment in the Indian Air Force is confined to Indians. The Indian Air Force is not part of the Indian Army but is a separate service governed by the Indian Air Force Act, 1932.

(c) Does not arise.

**THE HONOURABLE MR. HOSSAIN IMAM:** May I know, Sir, how long it will take to replace the Royal Air Force by the Indian Air Force as at present according to the present scheme?



HIS EXCELLENCY THE COMMANDER-IN-CHIEF: That is a question of policy. It has not yet been decided whether the whole of the British Air Force will in fact be supplanted by the Indian Air Force. At present it is very difficult to say, if that was the policy, how long it would take. It depends on progress and efficiency, step by step.

#### AERODROMES IN INDIA.

32. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) How many aerodromes are there in India and where are they situated ?

(b) Will Government be pleased to state whether Indians are taken in those aerodromes, which are under the direct control of the military authorities, for training in aeronautics ? If not, why not ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) The information will be found in the publication entitled *The Air Pilot, India and Burma, 1933*, issued by the Directorate of Civil Aviation, a copy of which is in the Library.

(b) Members of the Indian Air Force receive training at the aerodrome at Karachi, but the Air Force organization is not designed, nor would it be able, to impart training to civilians.

#### SAILESH CHANDRA NAG, DETENU IN THE DEOLI DETENTION JAIL.

33. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
Will Government be pleased to state the present condition of health of detenu Sailesh Chandra Nag of Gandaria, Dacca, now confined in the Deoli Detention Camp ?

THE HONOURABLE MR. M. G. HALLETT: He is suffering from enlarged tonsils which is not in any way serious but causes occasional pain in the right ear. He is receiving special treatment for this trouble. His general physique is reported to be very good.

#### CONSTRUCTION OF NEW LINES ON THE EASTERN BENGAL RAILWAY.

34. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that a new line of the Eastern Bengal Railway will be constructed very soon from Jagannathganj to Pingna in the Mymensingh district ?

(b) Is it a fact that another new line of the Eastern Bengal Railway will be opened for traffic four miles up from Serajganj in the Pabna district ?

(c) Is it a fact that the construction of the proposed Dacca-Aricha Railway line of the Eastern Bengal Railway cannot be started owing to financial stringency of Government ? If so, will Government be pleased to state why the new lines referred to in (a) and (b) will be constructed and what facilities they will offer to both passenger and goods traffic ?

(d) Will Government be pleased to state the estimated approximate cost of the construction of the aforesaid proposed new lines of the Eastern Bengal Railway ?

(e) Will Government be pleased to state what will be the total cost of construction of the proposed Dacca-Aricha Railway line ?

(f) Has the idea of constructing the Dacca-Aricha Railway line been abandoned ?

**THE HONOURABLE SIR GUTHRIE RUSSELL:** (a), (b) and (c). The main channel of the Brahmaputra River having moved away from Serajgunj Ghat, which is no longer approachable by steamers, it has become necessary to construct a new line four miles long to a suitable site for a new ghat station. The extension of the existing line on the other side of the river from Jagannathganj to Pingna, which will make it practicable to introduce wagon ferry working between the two ghat stations, is now under consideration by the Eastern Bengal Railway Administration, as it is believed that this will secure more goods traffic for the Railway and prove remunerative.

The present position with regard to the Dacca-Aricha Railway is that the Government of Bengal have informed the Government of India that after most careful consideration they have come to the conclusion that the construction of the railway is altogether undesirable and should not be proceeded with, because the construction of an embankment across the spill of the Dhaliswari River would be a serious menace to the public health and agricultural prosperity of a large area, and that the danger to public health and agriculture far outweighs the benefit to communications which would accrue from the construction of the railway.

(d) The information required by the Honourable Member is not yet available.

(e) The detailed construction estimates have not been completed, but it is probable that the cost would be more than 2 crores of rupees.

(f) In view of the opposition of the Government of Bengal to the project, the Government of India have for the time being decided not to proceed with it.

#### ECONOMIC ENQUIRY.

**35. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :**  
(a) Will Government be pleased to state what is the nature and scope of the Economic Enquiry which Professor Bowley and Mr. Robertson are undertaking at the invitation of the Government of India ?

(b) Will Government be pleased to state whether any honorarium will be paid to these Economists ? If so, how much ?

(c) Were the two Houses of the Central Legislature ever consulted by Government before sending invitations to these Economists to come out to India for the purpose for which they will be engaged ? If not, why not ?

(d) Have the Economists begun their work ? If so, when and where ? If not, when will they commence their work ?

(e) Will these Economists examine the official and non-official economic experts in India ?

(f) Will Government be pleased to state what will be the approximate total cost of such an enquiry ?

(g) Will the Economists make a tour of the country for their enquiry ? If not, are new appointments being made for their assistance ?

(h) Will the Provincial Governments make any contributions towards the cost of their enquiry ?

(i) Has Burma been included in this Economic Enquiry ? If not, why not ?

THE HONOURABLE MR. J. B. TAYLOR: (a) The following are the terms of reference:

I. With a view to facilitating the further study of the economic problems of India to report on the existing organisation and range of statistical and other information bearing on the economic conditions of India with special reference to the gaps which exist at present and the means of filling them. In particular—

- (i) to make recommendations as to the organisation of a central Statistical Department which in addition to the collection of statistics can co-ordinate statistical enquiry and information, for the whole of India,
- (ii) to consider the practicability and scope of a census of production,
- (iii) to consider the materials obtainable for measurement of national income and national wealth,
- (iv) to make recommendations as to the initiation or continuation of series of index numbers of prices, wages, production, etc.

II. As it is desirable that the collection of the information referred to under I should be as far as possible designed to serve as a guide to practical policy the main problems which arise in regard to the full utilisation of India's economic resources should be formulated.

(b) An honorarium equivalent to the salary which they would have received in England *plus* a compensatory allowance at the rate of Rs. 1,500 per mensem in India and £100 per mensem on the voyage to and from India.

(c) No. But the proposal was approved by the Standing Finance Committee at the meeting held on the 25th of November, 1933.

(d), (e) and (g). The Economists began their work at Delhi on the 24th of December, 1933, and will remain in India until the 24th of March. They will tour as extensively as is practicable in the time at their disposal for the purpose of consulting official and non-official economic experts, university authorities and others interested in their enquiry. They have already visited Bengal, Bihar and Orissa and the United Provinces, and Mr. Robertson has also visited Madras.

(f) The total estimated cost, including the pay and allowances of the two Indian Economists and the Secretary who have been engaged to assist Professor Bowley and Mr. Robertson, is about Rs. 60,000.

(h) Provincial Governments have not been asked to contribute towards the cost of this enquiry, but their co-operation has been invited.

(i) Burma is included in the scope of the enquiry, but it will not be possible for the Economists to visit that province during the time at their disposal.

THE HONOURABLE SAIYID RAZA ALI: Was a similar economic survey made or attempted to be made by the Government of India before and, if so, when?

THE HONOURABLE MR. J. B. TAYLOR: Sir, there have been economic inquiries on several previous occasions but there has been none, so far as I know, of this particular scope.

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RESERVE BANK OF INDIA BILL—continued.

THE HONOURABLE THE PRESIDENT: The debate will now be resumed on the Reserve Bank Bill. I would like also to point out to Honourable Members that I propose to continue the sitting of this House after lunch today.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, at the close of the debate yesterday I was going to discuss the agricultural credit provisions of this Act. Keeping in mind the fact that of India's population nearly 80 per cent. are concerned with agriculture, they are the real producers of wealth in so much that they are the only exporters of goods. Very little of our manufactured goods finds its way outside India because in order to support them we have to give them an enormous amount of protection and protected industry is, as is well known, unable to compete in outside markets. Therefore, the well-being even of the industries depends largely on the well-being of the agriculturists. Therefore, it was necessary and to be expected, Sir, that the Government would have made ample provisions in this Act to facilitate the agriculturists. In the Joint Select Committee, a scheme of agricultural credit was placed in the hands of the Government Members, showing how in other countries of the British Empire agricultural credit was being supported by the Reserve Bank of the country concerned. We, Sir, expect that when we place before the Government what another part of the Empire is doing that it will carry greater weight and it will affect them more than any arguments or appeals to reason that we might make, and we were in a way justified. We had a discussion in which this provision was included. We thought, Sir, that something is better than nothing. But now, Sir, we find that the real thing has been taken out and we have been left with but a shell. The Agricultural Credit Department of other parts of the British Empire contains provisions by which they can go on giving facilities to agriculturists. A portion of the reserve is earmarked for this fund. Here we have got nothing of the substance. We have got the shadow, in so much that an expert staff will be maintained to study the question of agricultural credit. It is thought, Sir, that after the exhaustive inquiry made by the Central Banking Inquiry Committee and its provincial branches Government will have sufficient data to proceed on as to how to facilitate agricultural credit. It is unfortunate, Sir, that up till now no Resolution of the Government of India on the whole of this report has been published. Commissions are formed, enquiries made, public money wasted, people asked to give evidence and other expenditure incurred in studying and coming to decisions and making certain recommendations to us, but these, when they reach the Government, are shifted from one department to another, from the Finance Department to the Home Department, and afterwards it takes such a long, long time that by the time the whole thing goes through the Government of India and they come to decisions, it becomes a history of the past and is not the burning question which it was at the time when the enquiry was started. Just the same thing is going to happen with the Agricultural Credit Department. We are afraid that the Reserve Bank will take three years to present their report. After that, the report will go to the Finance Department and from there it will in due course pass on to the Home Department and after that it will go to the Viceroy's

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\*Speech not corrected by the Honourable Members.

[Mr. Hossain Inam.],

Executive Council. Like a shuttlecock it will be passed on hither and thither and it will end in a fiasco and nothing will come out. Therefore, Sir, we expect some provision to be made that such-and-such a thing should be done by the Reserve Bank to facilitate agricultural credit.

One point which we wished to include was that facilities should be given to the agriculturist to hypothecate his crops. The difference between England and India, an industrial and an agricultural country, is that in an industrial country credit is required for moving the goods from the warehouse to the purchaser. A wholesale house gives credit to the purchasers and after that, it goes in the bill market and liquidates that bill. But here in India the position is the reverse. It is the purchaser who wants credit. The seller of the goods always insisted on having his cash down at the moment of parting with his goods. Therefore, what is necessary is that people should be given advances to purchase agricultural produce and thereby the agriculturist would be in a position to get money whenever he requires it and this can be very easily done if hypothecation of the crops is allowed so that the agriculturist may have dealings direct with the Reserve Bank and these bills will no longer be eligible for purchase by the Reserve Bank. The Bank will not have anything of the sort. This indirect method is going to harm the agriculturist more. In the original Bill hypothecation was included, but in the amended Bill it has been taken out.

Regarding the inclusion of indigenous banking, it seems strange that when they are willing to come into the fold, when they are anxious to deposit their money free of interest, nothing is done. They pleaded to be included in the list of the scheduled banks. We had a representative of the indigenous bankers before us as witness before the Joint Select Committee and he was anxious that members of his community should be included in some form or other. Their Association from Bombay also pleaded for their inclusion. But the Government would not have them because it was thought unwise, or you might say they will come into competition with the established banks and therefore they will harm vested interests. It is a known fact that industrial banks which exist in India deal only with less than 20 per cent. of the population of India—I mean with those who are concerned with industries only. They do not have dealings with the people concerned with agriculture. Eighty per cent. of the people have no connection with the industrial banks, exchange banks and joint stock banks which you have in the big towns. It is with the indigenous bankers they have to deal,—the *banias* to whom they will have to go for their needs. If they had been included it would have been possible by means of rules and regulations to effect some sort of reform. You could have asked them to keep accounts; you could have asked them to forward accounts to their debtors and so on and so forth. In some of the Local Councils I am very glad that a 'Money-lenders' Bill has been introduced. Punjab has taken the lead, and now other provinces are following suit. It is probable that other parts of India will also make this desirable reform. Something on those lines could have been done by the Reserve Bank. By executive action they could refuse to recognise those who refuse to keep certain kinds of accounts. It would have been wholly to the advantage of India to bring in these indigenous bankers into the fold of the Reserve Bank. But the Government are so obsessed with the ideas of an industrial country like England that they cannot realize the real needs of India.

Now, Sir, I should like to say a few words about the technique of the Reserve Bank as understood by that word and as adopted in the present Bill. The first point is about the stable money, what is being called planned economy, in which a constant price level has to be maintained, money has to be kept at such a standard that its value does not change. That desirable monetary reform could not be worked by the Reserve Bank in the way in which it has been constituted, because it will be impossible for it to keep its money at a level which would sustain prices. I am not going to labour the point. The next point is that the connection between the Government and the Reserve Bank should be so cordial that Government could always intervene and dictate. I would point out that it is only in times when there is no trouble and life flows along placidly from day to day that a Reserve Bank functions smoothly without Government interference. As soon as some calamity overtakes the country, when war is declared or there is an economic disaster, then the Government in all the countries of the world have to intervene and dictate terms. Even in that home of conservatism, England, Bradburys were issued during the war. They attacked the domain of the Bank of England. Even now they are supporting paper sterling by the operation of an exchange equalization fund. Nothing of the sort has been made out here. There is a great difference between England and India. In England, as is well known to you, Sir, there are very few things laid down in a written constitution. Everything is carried on by means of tradition, the growth of centuries of usage. Unlike the newer countries, they are not habituated to having everything in black and white. We cannot boast, Sir, of the same traditions and pedigree and we have not the same reliance on precedence. We want to have everything in black and white. It would have been in the fitness of things if provision had been made in the Act for taking over the entire management of the shares of the Bank in case of emergency by the Governor General in Council.

Then, Sir, we come to the provision, section 42, about the inclusion of scheduled banks. Some of my friends were anxious to erase the whole schedule and have no scheduled banks and they would like to have every one free to join the Reserve Bank at any time they might select. In other words, they wanted to follow the Bank of England where there is no statutory provision for other banks to come in or to deposit any money. As I have said, that is difficult for us because we have not the same traditions to fall back upon. But my point is that Government have made the position worse by the amendment which was carried in the Joint Select Committee that only those banks which have a capital of Rs. 10 lakhs should be included in the scheduled banks. As I have instanced in my note of dissent, it creates anomalies, so that banks with very small public deposits are included among the schedule banks and given all the facilities whereas a bank holding Rs. 35 lakhs of public money does not find a place among the scheduled banks. The Mysore Industrial Bank of Bangalore with total public deposits of Rs. 43,000, because it has a capital of Rs. 10 lakhs, can get in while the Bhowanipur Bank of Calcutta which has deposits of more than Rs. 32 lakhs cannot come in. We are concerned in the Reserve Bank—

**THE HONOURABLE THE PRESIDENT:** We are not dealing now with the Schedule. At this stage the general principles of the Bill are only

[The President.],

to be discussed. When the Schedule comes before us you may then refer to scheduled banks. You will have an opportunity of speaking on the subject then.

THE HONOURABLE MR. HOSSAIN IMAM: My complaint was that no account has been taken of the deposits. Capital is the sole criterion. My point is that both capital and deposits should be counted for a bank to be qualified to enter the Schedule.

Then, Sir, there is one point to which most of the speakers have not drawn attention and that is the constitutional aspect. A few of us, Sir,—I am glad to say that out of seven, four were Members of the Council of State—who appended a note of dissent on this point referred to the Secretary of State's evidence wherein he said that the Central Legislature will not have the power to amend the Reserve Bank Act wherever it touches the powers of the Governor General in Council. That came to us as a surprise and we thought that it was too high-handed to be allowed to pass unnoticed. No doubt the British Government can hold us to our promise, at least those who went to the London Committee on the subject, that they have given their consent to the inclusion of such and such items in the present Bill. But I say that no one, either in India or any other country of the world, can pledge the future Legislature to any line of action. The Legislature is the supreme bar of the country and not even the King can circumscribe its power. I am grateful that my friend (the Honourable Mr. Jagadish Chandra Banerjee) reminds me of the fact that he has also drawn attention to this position and I should like to make the point clear that no pledge or promise given by any one can bind the future Legislature of India to any line of action. The history of constitutional reform will bear me out when I say that those kinds of pledges do not hold; they are always liable to fall as under.

Then, Sir, I should like to put in a few words about the Directorate. As I said in the beginning, some element of non-shareholders in the shape of public bodies should be included in forming the electoral colleges to send Directors to the Bank. People have not realized the fact that the interest of the shareholders is so slight in comparison with the work of the Issue Department that it pales into insignificance. The Issue Department will have Rs. 180 crores and the shareholders will have Rs. 5 crores, and even that Rs. 5 crores will carry a guarantee of a minimum rate of profits for them. What interest have they got in the management of the currency? They do not gain anything by it; they do not lose anything. The Reserve Bank can lose any amount of money without touching the profits of the shareholders. Why should they care?

Then, Sir, we should realize the fact that no provision has been made in the Act itself to retain the wide franchise which will be created at the time when the shares are allotted. I agree with the Government that they have taken care to give shares to as large a number of people as possible and without losing votes, but what provision have the Government made to see that the centrifugal tendency of everything going back to Bombay or Calcutta will not prevail? The whole of the shares will go to the Bombay mill-owners and the Calcutta bankers and others.

THE HONOURABLE SIR HOMI MEHTA: Why?

THE HONOURABLE MR. HOSSAIN IMAM: That will be a good investment. You are now investing at less than 2 per cent. in Treasury Bills.

THE HONOURABLE SIR HOMI MEHTA: What makes you say that it will go to Calcutta and Bombay?

THE HONOURABLE MR. HOSSAIN IMAM: Therefore, Sir, we wanted to have a provision in the Bill that there should be no transfer from one Register to another.

THE HONOURABLE THE PRESIDENT: Is there any precedent for it?

THE HONOURABLE MR. HOSSAIN IMAM: There is no precedent for many things that are being done in India. There is no precedent in the world for this demarcation of the functions of the Government.

THE HONOURABLE THE PRESIDENT: Is such a provision included in the Central Bank Acts of other countries?

THE HONOURABLE SIR HOMI MEHTA: It means that if Delhi wants to sell shares and if there are no buyers at Delhi the poor shareholder will suffer because he will have to sell at a lower price in Delhi whereas he could get a much higher price at Calcutta or Bombay.

THE HONOURABLE THE PRESIDENT: That is why I asked the question.

THE HONOURABLE MR. HOSSAIN IMAM: Our point is that shares in the Reserve Bank should not be a matter of speculation. They ought to be held by people as they hold their property, their ancestral property, something sacred, something which carries with it not only the question of profits for the time being but the responsibility as you say of carrying and of managing the currency of India. You give the lie direct to your own argument by arguing that it is nothing but a monetary transaction in which the question of profits has got nothing to do with the management of the currency of the country. We admit, Sir, that you are right in this diagnosis that nothing will be done, this share will not be held by the people as a trust—

THE HONOURABLE SIR HOMI MEHTA: Why should they not? What is the argument?

THE HONOURABLE MR. HOSSAIN IMAM: My argument is that you give this power to shareholders so that they may question the currency policy. Nothing of the kind will happen because in order to question the currency policy you have got a qualifying share. That share has absolutely no relationship with the magnitude of the currency business, with the good management of the concern. The cat is out of the bag; it is money grabbing. People are out to make as much money as they can. They want profit. It just means profit taking and then the thing will fall down. I should have liked that in addition to the shareholders public bodies like the chambers of commerce and co-operative societies to be included; they



[Mr. Hossain Inam.]

should have a voice in the matter. They would come in with an unbiased mind, without any desire to fill their own pockets. They would be unbiased judges of the actions of the Reserve Bank. Here you have a body which is directly interested in all their dealings and Government thinks that they will be good judges. Our point is that just as the Government have included four nominated members to be nominated by the Governor General in Council, we should have four nominated by different electoral colleges. We are contributing equal shares, Rs. 5 crores by the Government of India and Rs. 5 crores by shareholders; we should have an equal number of shareholders and non-shareholders.

I am not going to discuss the day-to-day working of the Bank as detailed in the Bill because that will be discussed when amendments are being moved, but I should like to say a few words about the initial assets and liabilities. In our joint note of dissent we have stated that the initial liability which is to be transferred to the Reserve Bank is inadequate to meet the requirements of the Bank. It has been very exhaustively dealt with in our joint note of dissent. I shall not therefore waste the time of the House by going through the whole of it, but I should like to point out one thing. As a result of the Hilton-Young Commission proposals the external reserve was to have been Rs. 118 crores and the present suggestion asks for an external reserve valued at the outside at Rs. 106 crores at gold stocks valued at old parity. This was a point which we made out in our note of dissent. Here I should like to point out that it is wrong that our external reserve should be based on the note issue only. Other countries no doubt base their reserves on the liability for notes or liability for note issue and public deposits. But the case of India is very different. Here there are two kinds of notes, silver notes and paper notes. Our silver coin, token money in India, is of such enormous magnitude that we cannot lose sight of it. In other countries they have also got silver shillings and small subsidiary coins and half crowns. These subsidiary coins do not count because they are of such a small amount in circulation; the Central Bank can very easily discount it and not take it into account. In India, Sir, the question is different entirely. Here the stock of rupees in circulation has never been correctly estimated. It might be anything between Rs. 2½ to 400 crores. For such an enormous amount we should have some sort of reserve. Formerly, Sir, we had the gold standard reserve earmarked to liquidate our liability on account of depreciation in the rupee value if it is sold as bullion. The amount at present outstanding ought to be adequately safeguarded if we wish to have a stable form of government. It was unfortunate, Sir, that with the exception of the gold standard reserve, Secretary of State after Secretary of State wanted to take slices out of it at times of distress, with the result that all the accumulation that could have been made in the gold standard reserve out of profits of silver coinage was not kept there. Sometimes they were taken for railway works and sometimes for other purposes and so on and so forth. It would have been better, Sir, that, if we could not have earmarked the profits of the Reserve Bank for the liquidation of our sterling debts as I said in the beginning, at least the profits should be earmarked for something in the nature of the gold standard reserve as it existed in times past and we should have a gold standard to liquidate our losses from silver unless and until a sufficient amount of external reserve in the shape of gold or sterling is created to underwrite the whole of the losses which

are likely to accrue to the Government or to the Reserve Bank from demonetization of the silver rupee. It is necessary that an adequate reserve should exist and therefore, Sir, I should like to suggest to the Government the advisability of creating something on this line.

I should like to say, Sir, one word more and then I will conclude. In the creation of the Reserve Bank care has been taken to exclude the Indian politician and I will admit that English politicians do not directly find place in it. But the nomination by the Governor General will be most probably at his discretion, which means directly under the influence of the Secretary of State, because for any powers which the Governor General exercises at his discretion he is answerable to none but the Secretary of State who in turn is responsible to the British Parliament. Therefore, Sir, we would request the Government to make provision here that nomination will not be at the discretion of the Governor General but it will be on the advice of the future Finance Minister of India. This Reserve Bank Bill, Sir, as it is at present worded, confers no new benefits, it simply, as my Honourable Leader pointed out, creates a new glorified Imperial Bank which will cost us money and will not benefit us. For these reasons I do not support this Motion.

THE HONOURABLE SIR HOMI MEHTA (Bombay: Non-Muhammadan): Sir, before I begin to have my say on the Reserve Bank Bill one thing is certain, and that is that the whole of India is indebted to the Honourable Sir George Schuster and the Honourable Mr. Taylor for drawing up the Reserve Bank Bill as they have done, elucidating every point arguable, and putting before us a finished article which has gone through the Legislative Assembly and is likely to go through this House. On the former occasion, in the time of Sir Basil Blackett, when he tried to launch a similar Bill, it was thrown out on very flimsy grounds and India regrets today that that Bill, which, as some of our friends here say, was a better enactment than the one now produced, was thrown out at the will of a few of the Members who were opposed to Sir Basil Blackett. I will not say they were personally opposed but they were obsessed to such a length that they saw everything with the eye of suspicion, thinking that Government was always doing the wrong thing. However, this time this new Bill was put before the Select Committee in London where it was gone through clause by clause and eventually came out with almost a unanimous opinion and then it was placed before the Joint Committee of both the Houses in this country, where those Members of the Council of State who sat on that Committee will bear me out that every clause was scrupulously examined, every clause was argued absolutely threadbare and the Chairman of the Committee, Sir George Schuster, took great care, and at the conclusion of every clause he took the opinion and asked for the votes of the Members and when he found that the votes carried the clause by a large majority, then and then only he passed on to the next clause. This was the procedure adopted by Sir George Schuster and it pleased and conveyed to the hearts of all those 28 Members of the Legislature who were gathered together there, that at least Sir George Schuster had the honesty of purpose and that he wanted the thing thoroughly done, a thing which would satisfy the Legislature and which was for the good of the country. On that basis every clause was argued out and eventually it was placed before the Assembly in the shape of the Bill. That Bill has gone through the Assembly and this shows that

[Sir Homi Mehta.]

all the flimsy objections which were raised and raised with very little meaning in it were thrown out and the Bill came out with a large majority showing that it is appropriate for India.

Well, the Honourable Mr. Taylor had to do most arduous work and so had the Honourable Sir George Schuster in conducting the Bill as he did so exceedingly well in the Lower House. One must admit that they have secured the freedom for India, as far as the currency and finances are concerned. Hereafter the currency of this country will not be conducted by one man, the Finance Member, but will be dictated by a Governor and a Central Board nominated as well as elected. This is real *Swaraj* in the currency as people must admit, and the names of these two gentlemen will go down to posterity to show that they were the first liberators of this country as far as currency is concerned.

My friend, the Honourable Mr. Hossain Imam, has urged that there should be as many nominated members on the Directorate as elected. Supposing for one moment, Sir, that that clause had been inserted by Sir George Schuster with the consent of the Executive Councillors and His Excellency the Viceroy, what would have happened? Those very gentlemen of the Legislature would have said: There are eight elected members and eight nominated members, therefore the country cannot rightly get its voice heard, and there would have been such a hue and cry about it that nobody would have known where they stood. You cannot satisfy everybody. When the Government does a certain thing to please the country, the country wants something else which cannot be done and there is no Government in the world which can please everybody.

THE HONOURABLE MR. HOSSAIN IMAM: May I point out, Sir, on a point of personal explanation, that I did not say eight nominated members. I said four nominated members and four from electoral colleges and public bodies.

THE HONOURABLE SIR HOMI MEHTA: Sir, if my friend will look up his notes of yesterday's speech he will find that yesterday he said eight nominated members. This morning he did say that four 12 Noon. should be elected members, saying Chambers of Commerce, this and that, should send one man each. Now, what are the Chambers of Commerce, Millowners' Associations and other national institutions formed on such lines?

THE HONOURABLE MR. HOSSAIN IMAM: Co-operators would have come in.

THE HONOURABLE SIR HOMI MEHTA: Co-operators? Many of them too are elected by the people and sent to the Chamber of Commerce, and then join the executive body in that Chamber. They are also mostly merchants. Therefore the suggestion made by the Honourable Member will not achieve the object he aims at. It would only mean that instead of eight elected members, there would be 12 elected members and four nominated members. That is all; but as I have said, my friend's object would not be fulfilled.

Then, Sir, there has been some sort of dispute as to why this Reserve Bank has been constituted a Shareholders' Bank instead of a State Bank. This point was discussed very fully in London and the ultimate result

was that, barring one, everybody wanted a Shareholders' Bank. It was discussed in the Joint Select Committee here in India and I think that the Honourable Rai Bahadur Lala Ram Saran Das was the only one who said that a State Bank was wanted.

**THE HONOURABLE THE PRESIDENT:** Proceedings of Select Committees are of a confidential character and it is not usual for Honourable Members to refer to them in the course of debate.

**THE HONOURABLE MR. HOSSAIN IMAM:** I can correct my Honourable friend's memory. A State Bank has been recommended by nine members in the note of dissent.

**THE HONOURABLE SIR HOMI MEHTA:** I am very grateful to you, Sir, for drawing my attention to the fact that the proceedings of the Select Committee are confidential and I shall not therefore touch on that subject. I am very grateful to you, Sir. A Shareholders' Bank is wanted by every reasoning man. Why is it so? Because, it has been provided that so many shares should be held in Delhi, so many in Bombay, so many in Calcutta, so many in Rangoon and so on in other places. That shows that the purpose of the Government was that electorates from all these parts should have a clear voice in the management of the finances of the country and that no one part of India should carry the whole burden whilst the remainder remains ignored. Then the point was raised that these shares will be bought by Bombay and Calcutta. How can that be? You cannot compel a man to sell his share if he wants to keep it. He knows full well that he is not going to get more than 5 or 6 per cent. dividend on his share. He knows that he cannot get more than 6 per cent. in any good investment in this country today, and therefore he will stick to it. If he does not want to stick to it, in the first place he would not go in for it. And what is the holding? Five shares worth Rs. 500 in order to enable him to have a vote in the banking and currency policy of the whole of India. That being so, why should he sell that share? If he wants to sell it, why should he buy it? And what will be the premium? There could not be an enormous premium as my Honourable friend supposes. If there is a premium of 50 per cent., what will be the realization on that share? Not even 3 per cent. People are not so foolish as to put all their money into a thing which would not realise 3 per cent. Therefore, that argument falls to the ground absolutely. As regards the other argument which my Honourable friend Mr. Banerjee brought forward that shares should not be sold from one side to the other, what will be the consequence if this is not allowed? Suppose one person wants to sell his shares. There is no market there, yet he must sell locally. So a few buyers on that side who may be rich men will simply take away from the men who are in distress at a ridiculous price. It would bring them a loss instead of a profit. I do not know why my Honourable friends are saying that Bombay and Calcutta are the only culprits in this country who will deprive the poor cultivators and agriculturists of their holdings. Nobody is going to do that. Nobody has got the slightest intention of doing that.

Then, a great deal has been said in this House about the ratio question. I do not know how the question of ratio enters into this discussion at all. The Preamble of the Bill says positively that the ratio question is not concerned with the Reserve Bank Bill. It leaves it absolutely in the

[Sir Homi Mehta.]

hands of the Governor and the Central Board hereafter, when the monetary conditions not only of this country but of the countries of the world have been stabilized, to take up this question and see what ratio is good for the country. That is the only thing I can see from the Preamble of this Bill. That being so, it will be useless to waste one's time by entering into a discussion on the ratio. Whether 1s. 6d. or 1s. 4d. or 12½d. is good, I have no doubt that everybody has got an honest opinion about it. There are people very intelligent, well-educated, experts in economics, who think that the present ratio of 1s. 6d. is bad for the country and who want a lower ratio. There are also many who think that the present ratio is touched at the present moment would do more harm to the country than good. They all hold honest opinions. But, Sir, let me say that the ratio is not playing a great factor in this country alone. It is playing a great factor in every part of the world. All countries are economically upset. No country knows where it stands and the best economic brains of the world are at present trying to find out what ails the world in its financial and economic condition. These are the conditions prevailing all over the world, and India cannot be free from that condition. I am only happy to say that India must congratulate herself that she is not so much down as the other parts of the world. If my Honourable friend takes the trouble to read, he will find that there are parts where the crops have been burnt down—crops like wheat, coffee and rubber goods. Rubber plantations have been left neglected absolutely, leaving the tracts a wilderness. Why? Because there is more production in the world than the world can consume. That is the main reason why prices are falling. There are certain countries in South America and the lower Europe where they have not been able to pay even the wages of Government servants. They have been in arrears for five months or six months. Such are the conditions in other parts of the world. We have to be thankful even for small mercies as they are in this country. But this is all going away from the point of the Reserve Bank Bill. I took it up only because previous speakers had tried to convince this House that India was the only country in the world suffering on account of the ratio, a point which really does not arise so far as the Reserve Bank Bill is concerned. I may perhaps hold the same opinion as my Honourable friend that the ratio may be doing harm; but that does not matter one bit, because many men cleverer than myself have failed to understand this problem and no one should claim that he alone is right and everybody else is wrong and fight over that.

THE HONOURABLE MR. HOSSAIN IMAM: Should the Government fight?

THE HONOURABLE SIR HOMI MEHTA: It is not the Government that is fighting. That is the wrong way of expressing it.

Then, Sir a great country like America thought that it might make an experiment because it is so abnormally rich, and they set up a system which no other country in the world would have dared to do, even old countries like France, England and Germany have not done it. They depreciated their currency? And what was the result of that depreciated currency? If my friend will take the trouble to look into the figures he will find that last June and July when America went off the gold standard the price of cotton was about 12.40 cents and after going off the standard instead of the prices of wheat, cotton and other produce soaring up they

went down by nearly 30 per cent. and the price of cotton came down by 10 cents till the President, Mr. Roosevelt, and his advisers did not know where they were and what else they should do. They eventually found that the only remedy was for the country to produce as little as possible so that the surplus may be wiped out, and that is the policy they have adopted.

**THE HONOURABLE MR. HOSSAIN IMAM:** Will the Honourable Member point out the price of cotton in Bombay and Broach in that season?

**THE HONOURABLE SIR HOMI MEHTA:** The price of cotton when America went off the gold standard was Rs. 228. After that it slumped till it came down to Rs. 172 which was the price only six weeks ago. Since America declared that the acreage would be reduced to limit the production to 10 million bales, the price began to go up and the price last evening according to the telegram I had was Rs. 215. I do not know what it is this morning.

However, that proves absolutely to the hilt that the Ratio is not the only thing which can avoid all evils. It may have a temporary effect but in the end it does not change the position materially. If it did so, then all the countries of the world would do the same thing. Why otherwise should France and Holland and Switzerland and Denmark remain on gold? Then my Honourable friend drew attention to the fact that before the war our exchange was 1s. 4d. and we are the only country in the world whose exchange is 1s. 6d. which is higher than the pre-war level. But look at Switzerland; there it is nearly 40 per cent. above the pre-war level, and the same is the case with Holland and Denmark and other countries.

**THE HONOURABLE MR. HOSSAIN IMAM:** Because of the gold standard.

**THE HONOURABLE SIR HOMI MEHTA:** Nobody denies that. Then, Sir, about finding so many millions as surplus, my friend Mr. Hossain Imam gave us the hint that America has saved something like 2,400 million dollars by its policy of devaluating the dollar. But where has that 2,400 million dollars come from? May I ask that simple question? And the answer is also simple. It is a mere paper entry, just like any trading concern with a stock worth Rs. 170 putting it down at the price of the day as Rs. 220 when he is striking a balance. There may be 2,400 millions more on paper, but it is not money. The Government of India has a stock of Rs. 45 crores of gold, and you might just as well say on the same analogy that stock is worth Rs. 80 crores of gold, because our gold must have been bought before 1920-21 when the price was never more than Rs. 19 or Rs. 20 per tola, and taking to-day's price the value would be between Rs. 75 crores and Rs. 80 crores. Suppose the Honourable Finance Member were to take it into his head to put down the value of that gold at Rs. 80 crores, would this Legislature look on silently? Most certainly not. It would make a considerable noise and Government would have to recede from that position, because the excess is not there. It is all paper money or book value. Money can only be obtained when a transaction is complete and there is no other way. You cannot count in the difference between the purchase value and the selling value. That is not a sound commercial canon.

**THE HONOURABLE MR. HOSSAIN IMAM:** How did they establish a 8,000 million dollar loss?

**THE HONOURABLE SIR HOMI MEHTA:** Because they experimented in many ways to increase prosperity in the country and they failed miserably. If the Finance Member in this country had played that kind of game he would perhaps have been recalled the very next day and India could not have stood the strain for five minutes even.

Then, Sir, as regards agriculturists. That is a class which every one in this House should defend as it constitutes nearly 80 per cent. of the population. But when some Members attempt to prove that this class is being killed by the industrialists, and the Government of the country are not looking after the interests of this class, they are entirely wrong. The natural instinct of the agriculturist and the labourer in the field is self-preservation. We are all aware that holdings in India are of much lesser area than elsewhere, being on an average of five, ten or even less acres. But these holdings are cultivated by their own hands and with the same implements that they have employed for generations past. They cannot use tractors and such other improved implements because they have not large holdings. But whatever they may be producing, rice, wheat, cotton or other produce, the first instinct of the cultivator is to set aside enough to last him and his family for the year. The rest he wants to dispose of at the best price he can obtain so that he may buy other amenities of life. That is the instinct of every uneducated man. But owing to the distressing conditions prevailing in every part of the world they cannot get the prices they require. We all know that the American farmers have been ruined and that is why these great experiments have been tried in America. In Brazil, in Argentine, it is the same story, perhaps far worse than what it is in India. These conditions prevail not only in our country but in all countries in the world. Providence has given with two hands such an enormous amount of crops that the crops cannot be consumed by the countries and therefore prices have fallen down to that extent.

Speaking of the imports and exports of this country my Honourable friends Mr. Hossain Imam and Rai Bahadur Lala Ram Saran Das told this House that our exports were falling miserably and if these conditions were to continue we would be wiped out from the surface of the earth. Well, if these gentlemen will take the trouble of studying the actual figures, they will find that the arguments do not hold much water. Certainly during the last year the exports of India have been affected and they have, to a very large extent, gone down tremendously, but still without taking the shipments of gold, the yellow metal, into any consideration, the exports of India were Rs. 5 crores more than the imports. This year, according to the statistics published by the Government of India up to the 31st December, if I am not wrong, the exports in commodities, without taking gold into consideration at all, are about Rs. 32 crores more than the imports. Is that the condition which my Honourable friends made the House believe will bring about ruination? I should like very much to know what would be their views if the exports continue like that. Besides gold is playing the part of an individual commodity, not only as a valuable metal. People are not compelled to sell. Some gentlemen say it is all distress gold that is going out of the country. Well, I would be very much surprised if that were true. All the former writers and economists like Mr. Dadabhai Naoroji when they wrote that India was a

miserably poor country must be entirely wrong if the distressed classes were in actual possession of at least the Rs. 200 crores worth of gold shipped out of Bombay. Either the one or the other is wrong; surely both cannot be correct, because the two ways of explaining the situation are absolutely opposed to each other. Now, taking the basis of gold exports, if my friend will divert his attention he will find that as soon as gold begins to fall in price, and comes in the neighbourhood of 30 or 30/4 or 30/8 there is a lull in the shipment. Shipment then comes to about 45, 60 or 70 lakhs per week. As soon as gold rises to 33 the shipments go up to 2 crores and more, and when it came to the level of Rs. 34 and more per tola, the shipment in a week was over 5 crores. Does he mean to say that all that gold came from the distressed classes and from the distressed and ruined farmers all over the country within a week to the tune of 3 and 5 crores more?

THE HONOURABLE MR. HOSSAIN IMAM: The middle classes are being reduced to starvation and they are joining hands with labour.

THE HONOURABLE SIR HOMI MEHTA: Sir, this is beside the point. If, instead of giving an answer to a concrete question put before him my Honourable friend diverges, I am not going to enter into a discussion. Certainly there may be a certain percentage of distress gold. I do not deny that for a moment, but surely most of the gold that is going out is the hoarded gold and people are shrewd enough to understand the value of it. They say, "Well, we have bought it at Rs. 19 or Rs. 20 per tola; we can realise Rs. 34 or more, we make 75 per cent. profit, which in no other commodity can we do. There will be a time when the gold will come down in price and we shall refill our coffers when this happens." One who goes to the top of the hill never remains there. He must come down for the necessities of life and therefore gold cannot keep on the top as my Honourable friend seems to imagine. It must find its own level once again and that level will soon come when people who are so fond of hoarding gold begin to realise that after some time the inflated value is absolutely nothing else but nominal and there will be no buyers or sellers at that price, and when they want to dispose of it that will be the time for India to purchase gold.

THE HONOURABLE MR. HOSSAIN IMAM: When will that day dawn?

THE HONOURABLE SIR HOMI MEHTA: I cannot tell you. If I knew it I would be a rich man and I would not be here.

Sir, before I make any further remarks, I only want to keep myself within the bounds of the Reserve Bank Bill. My Honourable friend says that it will take three years or three-and-a-quarter years for the Bank to come into being. I hope not. Perhaps our Honourable friend Mr. Taylor will be able to guide us in that respect in his summing up speech; but the sooner it comes the better it is for the country because it is really and substantially to the advantage of the country for the Currency Department to be in the hands of the Governor and the Central Board. I would tell you why. Because, not that one head is worse than several heads—it is not that—but the confidence of the country will be with our own elected eight representatives; and there will be four nominated by His Excellency the Viceroy and surely the Government is not going to make the mistake



[Sir Homi Mehta.]

of appointing people who have no voice in the country. Certainly they will take every care to see that those four nominated have the confidence of the country. These with the Governor and two Deputy Governors, out of whom we are assured one at least will be an Indian gentleman, will command the confidence of the country and people will in turn have confidence in the finances of their own country. That being so, one thing is certain, *viz.*, that from the day that the Bank comes into operation we shall be far more happier in mind than we are now. Another thing is about the ratio. When the Central Board, which would be mostly Indian, comes into being, and when they really see, as my friend Mr. Hossain Imam says, that the present ratio is wrong and is no good to the country, then they will be the first to bring before His Excellency the Viceroy and the Governing Body that this ratio is no good for the country and I do not believe for one moment that any Viceroy can do or act otherwise than on the recommendation of the Board.

Sir, with these few words, I support the Bill.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, the Reserve Bank is necessary in the interests of the new constitution of this country and the Government of India is to be congratulated on bringing forward the scheme to ensure confidence in the management of India's credit and currency. The vexed question of the exchange ratio has been very much discussed during the last few years. The present ratio of 1s. 6d. has been useful because as a result of it foreign goods are selling more cheaply. The price of machinery and plant is considerably less than before. In a way the present rupee exchange is favourable to the creditors and this favourably affects the credit of India in the money markets of the world. Sir, the disadvantages of the exchange ratio have however been very much more serious. It has adversely affected the value of agricultural produce. Major Vanrenen, a big zamindar in the Punjab, told us the other day that:

"in contrast to India, Australia and New Zealand in the crisis have been free to depreciate their currencies."

This they have done by 25 per cent. In comparison with the time when the rupee ratio was 1s. 4d. the Australian farmer enjoys an advantage over the Indian cultivator of 37/12 in the exchange factor alone. The Australian farmer has been saved by the policy of his Government from the same degree of distress as the Indian cultivator has suffered in the depression. In spite of the depression Australia has been able to increase the volume of her agricultural exports by 33 per cent. whereas India's exports have diminished immensely. Speaking at Bombay the other day Sir Montagu Webb said that:

"it was certainly a most suitable moment for making the strongest possible protest against a continuance of the over-rated rupee seeing that most other countries had de-rated their currencies, and that Japan in particular was undermining our trade in all directions, largely by the aid of their depreciated yen."

Sir, nearly 80 per cent. of India's population lives on agriculture. It is becoming increasingly difficult to find a market anywhere for India's agricultural produce. As this has adversely affected the purchasing power of the agriculturist, the internal trade and industry of the country has been

ruined, the zamindars have become utterly destitute and even the village moneylender is having the hardest times of his life. Lord Linlithgow, the President of the Royal Commission on Agriculture, had said :

"Raise the purchasing power of the ryot and help him to raise himself out of his present terribly depressed condition, and in one stroke you will give to industry, to manufacture and to commerce, an extended field of service and so far legitimate gain".

But in India, Sir, as a result of the currency policy the course of events has gone the other way about and the purchasing power of the ryot instead of being raised and strengthened has been almost shattered. Indeed, so sharp and keen are the feelings of zamindars on this point that the representatives of the Punjab in the Central Legislature have received definite instructions from their constituencies to make the strongest possible protest against the continuance of the present ratio policy.

In America President Roosevelt has been compelled by circumstances to depreciate the dollar. This has gone some way towards giving an impetus to trade in the United States. If that country in spite of its enormous resources and wealth finds some depreciation of its currency necessary for reviving trade, it is very much more necessary in the case of India that we should also act in the same manner. The exact level of depreciation it is difficult to lay down. But a true and natural adjustment would be reached if the rupee is delinked from the sterling and is allowed to find its own level. There is no doubt that the mere change in the currency policy is not sufficient by itself to usher in an era of prosperity, but it will certainly give the necessary impetus to trade and industry and may ultimately bring better times to the ryots.

I would therefore strongly urge that with a view to save the agricultural masses from starvation and to enable them to pay the revenue the rupee should be allowed to find its own level.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, I beg to support the Motion for the consideration of the Indian Reserve Bank Bill. I associate myself with the sentiments expressed by Sir Homi Mehta with regard to the great pains and interest that both the Finance Member and Mr. Taylor have taken in the matter. I would submit some observations from a detached and impersonal point of view. The one and only consideration that should weigh with the House in our deliberations is whether the Bank is calculated to preserve and enhance the interests and financial stability of India and that it is not likely to benefit any class or creed. That is the sole criterion from which it has to be judged. A very apt remark was once made by a well-known personage in relation to the benefits that were anticipated to accrue to India from the Ottawa Pact. He said :

"What does not suit one's pocket does not suit India".

Truer words were never spoken. And no better occasion to take them to heart and to apply them could be envisaged than the present.

The Dominion of Canada has had to face the problem of a Central Bank. A Royal Commission was appointed about two years ago. Its recently published report appears to be of considerable interest to us inasmuch as some

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

of the conditions are analogous to those with which we have to deal. To summarize briefly its principal recommendations. They are :

- (1) The first Governor and Deputy Governors and Directors to be appointed by the Governor General in Council and in future subject to his approval.
- (2) The Bank to be a Shareholders' Bank, the capital to be offered for public subscription.
- (3) The shareholders to be British subjects resident in Canada.
- (4) The Bank should reserve 25 per cent. in gold and foreign exchanges against its outstanding note-issue and sight liabilities.
- (5) A rural credit department of the Bank could be brought into operation after a new and separate enquiry.

One very pertinent statement in the report is of immense significance. It says :

"A Central Bank could not cure all the economic ills of Canada. It would not be a source of unlimited credit for all borrowers on all occasions and indeed its operation might as often be restricted as expansive. A Central Bank is not a panacea for economic troubles and it can have only a very limited influence upon price levels".

It will thus be seen that the Bill under consideration does not contemplate a remedy for our economic troubles ; on the other hand, it has been framed upon a more liberal basis than the Canadian Bill.

Sir, I would briefly touch upon two matters, *viz.*, the restriction for holding shares proposed to be imposed upon the nationals of those countries that discriminate against Indian subjects of His Majesty the King Emperor, and the alteration in the present ratio in order to effect devaluation of the rupee.

This House is fully aware of the numerous humiliating disabilities under which Indians labour in South Africa and elsewhere. It is greatly to be regretted that in order to perpetuate the present policy of discrimination against Indians, the Act of 1833, Queen Victoria's Proclamation of 1858 and the repetition of the pledge in the Act of 1919 have now been unfairly invoked. Nay, further, there is no inclination to alter this policy which the Secretary of State stated before the Joint Select Committee has existed for a century and that it would be a very retrograde step to go back now upon a consistent line of policy of the kind that has always been in operation. He expressed his sympathy with the question. He said there was a strong feeling in India against it and he hoped that the Joint Select Committee while making its report will take into consideration the strong feeling that existed in India. He suggested that the Government of India would have an opportunity of negotiating an agreement about questions of that kind and that they have got, after all, in their power a strong lever to refuse the right of entry. The fact is, however, overlooked that when the pronouncements of 1833 and 1858 were made, commonwealths, dominions, unions and colonies as known today did not exist nor were dreamt of, nor was labour even recruited from India by those countries. Circumstances have radically changed and it is only fair that the policy should now be altered as a piece of bare justice to India and to suit existing conditions. The repetition of the pledge of 1919 should have been resented by India.

During the course of his speech, in another place, a certain speaker stated :

“The self-respect of India resents discrimination and that self-respect is sometimes more important in the history of nations than precise political definition”.

He went on to add that he had not met an Indian resident in any of the Dominions, with one exception, who had not come back and spoken with humiliation of the position of his countrymen there. But beyond some minor changes Government and their representatives have not been able to achieve any material amelioration in their condition. Repatriation to India has not been a success as the returned emigrants and their children born in Africa find themselves looked upon as aliens in their motherland. Schemes for colonizing them elsewhere are in a nebulous state. Sir, in this connection we should feel grateful to the British commercial community in India for its persistent and unstinted support in our demands for the redress of their grievances. All honour to them.

Turning now, Sir, to the consideration of the ratio and consequent devaluation of the rupee. Certain hypotheses, unsupported by data, but with assurances of great benefits to India, have been placed before the public. It has been said that the ryot would receive more for his produce on account of the rise in the price levels of the commodities he produces ; further, that exports would be stimulated and fetch higher values and thereby enable him to purchase imports which, in their turn, it is surmised, would increase Government revenues through customs duties and higher tariffs. That is the picture of the promised land flowing with milk and honey set before us by the protagonists of devaluation. It is evidently forgotten that, with the exception of some big zamindars and talukdars with unencumbered estates, the old peasantry is deep in an enormous load of ever increasing debt ; that it is bound down hand and foot to the *mahajan* or the *sahukar* or the money-lender, whatever he may be called. The ryot has been reduced to virtual serfdom, whereas the lot of his labourers is far better than his. His lands are mortgaged up to the hilt and in times of necessity even his prospective crops are also hypothecated. Is it conceivable that the *sahukar* or the rack renter would be so gracious as to turn over to him even a pie of the anticipated rise in the prices of his staples ? Whatever gain there may be is more likely to be absorbed by him and his bankers. And, further, the ryot will have to pay more for those necessaries that he does not himself produce. In fact, it appears as if his last state would be worse than the present. Scant heed appears to have been paid to the prejudicial effect upon the wage earner and the man with fixed salary. Would not living be made dearer for them ? This important fact has been completely ignored and no remedy suggested to increase their income. America's experience from the National Recovery Act, whatever it may be, is not applicable to Indian conditions. To take one instance from the American National Recovery Act. Let us look at the case of the farmers. They were asked to restrict production in order to bring about a rise in price levels. But how was it worked ? They were assured that an increase in the level of prices will help them and that this will be supplemented by Government subsidies. Since the subsidies were to be paid from new taxes on the consumer, the consumer had thus to pay doubly, i.e., higher prices to the farmer and at the same time to contribute to the additional taxation.

Sir, the anticipated stimulation in exports bringing more money into the country is another myth dangled before our eyes. Europe, hitherto by far

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

the largest importer of our staples, has collapsed as a purchaser of Indian commodities. Honourable Members who may have had the opportunity of studying the last report of the Indian Trade Commissioner at Hamburg must have found the aspect indeed not only gloomy but getting worse every day. All countries have put up tariff barriers. They control quotas of their imports. They have exchange control systems in order to promote self-sufficiency by all sorts of devices and therefore import their barest requirements. Thus it is that imports of cotton, jute, rice, tea, oil-seeds, etc., into Germany have greatly declined. As regards oil-seeds the import of ground nuts has been reduced to a negligible quantity as the oil is found too dear for the manufacture of margarine; and whale oil and soya have been substituted instead. There are no signs of improvement in this outlook and the situation is less promising than when the report was written. The only solution that the Trade Commissioner suggests is that India should now search for other outlets for trade within the Empire instead of Continental Europe and thus benefit from the Ottawa Agreement. There is another aspect of this subject that has not even been referred to. It is that India is not the only producer of those staple commodities and that whatever may be the ruling level of internal prices, there is no guarantee that those prices would be obtained in world markets in competition with other countries producing the same commodities and all the more so, if their currencies are depreciated of set purpose.

"It will thus be seen", says the Trade Commissioner, "that India's position as an exporter is beset with grave obstacles and the above conditions cannot be overcome by the depreciation of the rupee".

As regards great increase in imports it has been noted that they have steadily depreciated and if the capacity of the Indian ryot and wage earner should become further reduced to absorb them, what becomes of the rosy outlook presented to us that the custom duties and higher tariffs would make up for Government deficits? The Home charges to the extent of five to six crores will have to be met: the cost of supply to the Defence Forces will increase *pari passu* with the rise in price levels and it is but obvious that the duties on imports would not react in proportion to Government's requirements. It is worth noting that this aspect of the question has been either brushed aside or most airily or cursorily disposed of by the supporters of devaluation.

It appears, Sir, as if the present state of the rupee is not dissimilar to that of a poor sore stricken patient besieged by a horde of quacks in opposition to his own doctor in whom he has perfect faith. He has become disgusted with the nostrums of the former and asks them to leave him alone, as he knows he is in safer hands and ultimately bound to recover under the ministrations of the latter. The rupee is in the same sorry plight. It has been knocked about, bruised and battered until it has lost the semblance of its former self. It is being treated by Dr. Schuster, its old doctor, but its friends have brought in a host of medicine men, fledged, unfledged and even fledglings, who recommend their pet panaceas. Dr. Schuster, however, does not believe in them for he says:

"Devaluation is the most insidious drug that can possibly be administered to a patient; that it may be a stimulus to a certain portion of the economic body, but it is a most dangerous drug, a most dangerous stimulant the use of which encourages the demand".

In fact the appetite grows with what it feeds upon. Should we therefore not be guided by the experience of such a clever and versatile physician like Dr. Schuster rather than trust to the tender mercies of all sorts of currency quacks who have so suddenly sprung up in our midst? Let the latter not

ignore the experience that befell Simple Simon and the pieman when devaluation raised the price of a penny pie to two and then to three pence. He could not sell them. After he had eaten up his pies himself and made them last as long as he could he crawled under the farmer's corn stack and died of starvation. When, however, inflation followed through Government printing a lot of paper money and handing it over to a Central Bank matters did not at all improve as the price levels soared higher and higher. Even the ten penny nails that the pieman's son made at a smithy cost three shillings which people could not afford to buy and used bits of string instead. Then he happened to come across a copy of the *Financial Times* and he read about discount bills, long dated credits and short dated drafts: the bullion reserve and the cross rate and thought that things were improving. Whereupon he revived his father's old trade of making pies but they went up to four and five pence a piece. He, too, could find no customers. Being, however, a man of education, a B. Sc. and M. A. (Econ.) he did not starve like his father but became bankrupt. Such is the uncompleted story related in the *Times of India* by a correspondent who styled himself "Daddy Long Legs."

Such, Sir, was the bitter lesson derived both from devaluation and inflation. The monetary systems all the world over are in a chaotic condition and changing from day to day. It is impossible to forecast what twenty-four hours may bring forth. The occasion therefore to initiate radical changes by devaluation is not yet. We shall have to wait until more stable conditions have become established. It is dangerous to swop horses in midstream. And, finally, though the dying echoes of the plaintive refrain of the swan song of the Currency League still reverberate, they will cease ere long to disturb us.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, the Bill now under consideration represents a most important measure. In fact it is the most important piece of legislation that has come before this House during recent years. This Bill proposes to take away from the Government the management of the currency and to place it in the hands of a separate and independent agency. It proposes to place the monetary policy of the country on a more stable and firm basis, making it free from political influence. The institution which the Bill proposes to set up is thus the most essential for the monetary policy of the country and the management and control of credit and currency. In the very early stage of the Round Table Conference at its very first session the need for such a central banking institution for our country was realized, and the White Paper has made the establishment of this institution a condition precedent to the grant of further constitutional advance. Therefore this is a measure which is designed for the purpose of securing for us financial responsibility and for satisfying one of the four conditions which have got to be satisfied before India can hope for self-government. Sir, the Honourable Leader of the Progressive Party quoted extracts yesterday from Sir Malcolm Hailey's memorandum showing that the present budgetary position was extremely unsatisfactory and bade fair to get much worse with the addition in public expenditure on account of the reforms under the new constitution, and he observed that when the budgetary position was not assured it was not advisable for such a banking institution to be set up in India. Sir, may I ask whether it would be advisable to allow the present system to continue, to allow the management of the currency to remain in the hands of Government and credit to be controlled by the Imperial Bank, and whether it is in the interests of the country that these two closely connected functions should be allowed

[Saiyed Mohamed Padshah Sahib Bahadur.]

to be performed by separate agencies instead of by one. Is it advisable to allow Government to continue to control the currency so that it may manipulate it to suit the requirements of unbalanced budgets. Is it not therefore advisable that this Bank should be established as quickly as possible so that credit and currency may be managed by one and the same agency and Government may not be able to manipulate currency to meet the needs of their deficit budgets. There is another reason why this Bank should be established without any avoidable delay. Instead of the present depression which is holding the world in its terrible grip, it is hoped that ere long there will be a change for the better, and when this change does come attempts are bound to be made all the world over to set in order the monetary system which has been so badly unhinged. Sir, if the attempts that were made in this direction failed at the great Economic Conference held in London recently, it was not because it was not recognized that some such permanent monetary system was necessary for the world, but simply because in existing circumstances in the abnormal conditions now prevailing it was found impossible to co-operate internationally.

As some of my friends would like to adjourn now, may I continue my speech after lunch, Sir?

THE HONOURABLE THE PRESIDENT: I am afraid you must finish your speech

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Sir, the failure was due to the fact that it was not found possible in present abnormal conditions to co-operate internationally in determining the monetary standards. Therefore if a change for the better comes and trade begins to look up and the depression passes away, it will be possible for India also to consider a permanent and more stable monetary standard, and it will be all the better if by then this Central Bank has been well established and has had an opportunity of functioning for some time. By this I do not mean that any proposal that may be made for the establishment of this institution whether good, bad or indifferent, should be accepted. All that I mean is that if we find that the proposal made is sound in essentials, if we find that the arrangements proposed for calling into being and the functioning of this Bank are such as are calculated to give us an institution which might safely be entrusted with these important functions, then it is our duty to accept the proposal and not obstruct it merely because some provision therein might offend some pet notion of ours.

Sir, as one who has had the privilege of working on the Select Committee I could testify to the great care with which the provisions  
1 P.M. of the original Bill were scrutinized by that Committee. Sir, every provision of that Bill was subjected to very close examination and every practical point was discussed with the experts who, I might acknowledge here, helped the Committee a good deal in arriving at proper decisions in connection with those technical points about which some doubts were felt. Almost all the objections that had been raised about this proposal on the occasion of the Motion for reference to Select Committee and all the points about which controversy has been raging in the country ever since the first attempt in this direction was made in 1927 all these were

very carefully and closely examined. The result was that a number of important amendments were made in the original Bill, even though it should be admitted that the main features of the Bill have remained as they originally were. Sir, one of those amendments was the one which related to the reducing of the share value. Sir, the share value was reduced from Rs. 500 to Rs. 100. The object of it was to put the share value within the reach of even people of moderate means in order to ensure the widest possible distribution of the shares so that almost every citizen might be made to take an interest in the working of the Bank. Then, Sir, the voting power was also brought within closer reach inasmuch as the minimum qualification for one to get qualified to have the franchise was reduced from Rs. 1,000 to Rs. 500 by the Select Committee. Now, Sir, while I am on this point, I might as well meet one of the objections that was raised by my Honourable friend the Leader of the Progressive Party. He asked even if distribution is so made that the majority of the shares are held by Indians what guarantee is there that the outlook of the bank would be national inasmuch as the Imperial Bank is said to have 65 per cent. of its share capital owned by Indians and despite that fact the outlook of the Bank is far from being national? Sir, I think it is obviously wrong to make any comparison between the position of the Imperial Bank and that of the Bank which is proposed to be set up under this Bill. So far as the Imperial Bank is concerned, there is this thing, that there is no limit to the voting power. If anybody has been able to corner shares it would be possible for him to vote down a group of shareholders who might possess shares of a smaller value. But this kind of thing is not possible under the provisions of the present Bill. Here whatever may be the amount up to which shares might be possessed by anybody in no instance would anybody be able to have more than ten votes, so that a person who owns shares of the value of only Rs. 5,000 will have the same amount of influence as another who owns shares to the value of Rs. 50,000 or Rs. 1 lakh, so that the analogy that is attempted to be drawn between this Bank and the Imperial Bank is a fallacious one.

Just one word more. I think I am speaking at a very inconvenient time as my friends are in a hurry to get away for their lunch. One word more with regard to relief to the poor agriculturist. Most of my Honourable friends who have preceded me have stressed, and stressed rightly, the importance of providing for this kind of relief. Sir, the Select Committee was not indifferent to this aspect of the question. It did its best and in the circumstances under which it had to work and during the very short time that was at its disposal and considering the magnitude of the problem and its complexity it was not possible for the Select Committee to arrive at any other decision than it had done. The best that it could do under those circumstances was to recommend a procedure by which a more thorough investigation could be carried out and proper proposals made for bringing about this relief. Some provision has been made in this Bill for providing this kind of relief but as my Honourable colleague from Madras, Sir Kurma Venkata Reddi remarked yesterday, this provision in respect to the harassed agriculturist is much more important than any encouragement that might be shown to the trade and commerce of the country. He was perfectly justified in observing that the Bank would fail in one of its most important duties if it failed to give the much needed relief to the poor agriculturist.

Now, Sir, just one word or two about the two important questions about which controversy has been raging since the time that the first



[Saiyed Mohamed Padshah Sahib Bahadur.]

attempt was made to establish this Reserve Bank. I will first take up the question of a Shareholders' *versus* a State Bank. Since this question has been discussed threadbare I am not going to enter into any elaborate arguments. All that I wish to point out is that since this controversy has begun there has been a steady change in public feeling. If we closely examine the facts we find that most people who originally were very stout champions of a State-owned institution have veered round to the side of the Shareholders' Bank. If we only look at the Report of the London Committee there are people who were signatories to the report who have now obviously accepted the shareholders' institution but who only recently were very staunch champions of a State-owned institution; and it is just right and proper that it should be so, since the experience of the world has demonstrated beyond all possibility of doubt that it is the Shareholders' Bank that is best suited in the present circumstances. One of the most successful institutions in the world, the Bank of England, is a Shareholders' Bank. The Bank of England is only a Shareholders' Bank. Now, Sir, the other alternative that was proposed by some of our Honourable friends who signed the minute of dissent was a Stock-holders' Bank. So far as I am concerned I am at a loss to see what difference there is between this and the other? To my mind if there is any difference between these two the difference is in favour of the Shareholders' Bank, inasmuch as there the interests of the masses of poor agriculturists and of the people of the countryside are entrusted to the two directors who have got to be elected by the 60 trustees. But, Sir, under the present proposal the shareholders will elect eight directors so that under this proposal we at least have eight directors who have been elected directly by the shareholders. I do not think, Sir, I need prolong this and I close my observations by supporting the Motion.

The Council then adjourned for Lunch till Half Past Two of the Clock.

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The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, before I begin I wish to pay a very well deserved compliment to the Finance Member, Sir George Schuster, who has been able with so much tact, persuasive eloquence and ability to push this Bill through the other House. Sir, although I believe that a good many members of the public also feel that the passing of this Bill through the other House is a feather in Sir George Schuster's cap and a crowning glory to an eventful career in India, there is another section who certainly appreciate the tact with which he got the measure through the other House but they do not certainly thank him for the result because they feel that some portions of this Bill at any rate could have been improved. The technique of a Reserve Bank is a very specialized technique and very few up till now have been able to grasp really that specialized technique. With the exception of the Bank of England, all the other Central Banks in other countries of the world, are of very recent origin. They are, if I may say so, still in their experimental stage, and our experiment also in setting up our Reserve Bank should have come earlier than now. It will

be time enough for us after the Reserve Bank is constituted and has been in operation for some time to see what results can be achieved and then to judge whether this measure has to be modified or not in the light of the experience that would be gained hereafter. In the criticisms that have appeared in the Press, in the other House and also on the floor of this House a good deal of imagination has been brought into play. I certainly think that in matters of legislation imagination plays a good part, but if we wait for the results we shall come to a better understanding than if we base our remarks merely on imaginative data. There is one feature of this Bill which it will be proper for me to draw the attention of the House to, and that is, that the provisions of this Bill are mostly taken from the provisions of charters for Central Banks in different parts of the world, specially from England and the Continent of Europe. The only feature that has been taken from the United States Reserve Bank is about the compulsory deposits. The Central Banks in the Continent and the Bank of England have no system of compulsory deposits from the member banks. It is only in the Federal Reserve Bank of the United States that this feature appears. I always thought, Sir, that this compulsory deposit was meant to be a lever by which the credit of the country could be controlled, and I thought that this provision was there in the Federal Reserve Bank of the United States because it was one of the two links to control credit, one link between the Reserve Bank and the member banks and the other link between the member banks and the public. In the United States of America the banking system is so well developed that if the Reserve Bank could control the other banks, the public deposits with the Bank would be controlled and through those banks you could control the credit of the country. But here, the second link is absent. Of course, by this legislation the Reserve Bank will have some hold on the member banks, but the member banks will not have the same control over the public because if we just refer to the Report of the Central Banking Committee, we will find that the indigenous banker in India controls about three or four times, or perhaps more, than the amount of money that is controlled by the Joint Stock Banks in India. Attention has been directed in the Bill to this state of things, and by clause 55 it has been provided that:

"The Bank shall, at the earliest practicable date and in any case within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation for the extension of the provisions of this Act relating to scheduled banks to persons and firms, not being scheduled banks, engaged in British India in the business of banking".

In other words, there is a provision that within three years, the management of the Reserve Bank will report to the Governor General in Council for a change in legislation roping in the indigenous banker, and then this compulsory deposit will have some effect because I take it that when the Board of Management reports to the Governor General in Council, they will also provide that those people who would be included in the Schedule, although they are not joint stock companies will have to make the same compulsory deposits as joint stock banks will have to do. This mixture of the Continental system with the American system appeared then, and it appears now, before the Management's report comes into being, to be rather an incompatible mixture and the result may not be as favourable as we seem to imagine. It might lead to the birth of a monstrosity.

[Mr. Bijay Kumar Basu.]

Then, Sir, I wish to refer to another feature of the Bill, and that is with regard to the Agricultural Credit Department, which has been put in at the Select Committee stage. I refer to clause 54 of the present Bill. I certainly join whole-heartedly in the wish expressed by my Honourable friend Sir Kurma Reddi that if it was possible through the Reserve Bank to help the agriculturists out of their indebtedness, to help them to organize themselves better and to prosper as they ought to, certainly that would be a consummation devoutly to be wished. But what I find is that by section 17 of this Bill the duties of the Bank and the business that it may do have been specifically fixed. Sir Kurma Reddi pointed out that one of the things the Reserve Bank should do is to lend money to the agriculturists against land. But that is not to be. Then the second suggestion was that the Co-operative Banks should float debentures which would be guaranteed by the Reserve Bank. But even that business has not been specifically mentioned in section 17. So that the Reserve Bank as constituted by this Bill as it stands will not have the power to guarantee the debentures of any Co-operative Bank. I should have liked Sir Kurma Reddi to have given notice of an amendment to include such a provision in the Bill itself.

As regards exchange and matters connected therewith I think the points have been thoroughly discussed both in this House and the other House and there is no necessity for me to cover the same ground.

There is one other point to which I would like to refer and that is the constitution of the Board of Directors. At present the proposal is that we should have four directors nominated by the Governor General in Council and eight directors to be elected on behalf of the shareholders, and it has been indicated how many directors are to be elected from each register. As regards the four nominated directors I think it is practically accepted that particular interests will be represented by them and one of them at any rate should be a person connected with the agricultural development and agriculture of the country. The elected directors will be from different provinces. The question, however, may arise later on, when shares in a particular register are transferred to other registers, and no minimum having been fixed, if the number of shares held by a particular register falls to a particularly low level, would it be proper to have the same number of directors from that register? Take, for example, the Delhi Register. Suppose the Delhi holders sell their shares to people on other registers, and there is no prohibition as to the free marketing of shares—say seven-eighths of the Delhi shares go to Calcutta and Bombay, would the Delhi Register still continue to elect two directors as is here proposed? I would myself suggest the holding of a minimum number of shares in each register. If that meets with the wishes of my friend Mr. Taylor I would expect him to carry that out in the form of an amendment.

THE HONOURABLE RAJA CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, I support the Motion for the consideration of this Bill. Every important country in the world has got its Central Bank and I think it is only proper that India should also have one. This is all the more necessary in view of the constitutional changes which are going to be made before long. In fact it is considered essential that a Bank of this kind

should be established before the reforms are introduced. From the discussion which has taken place here and elsewhere, it is quite clear that every section of opinion is agreed about the desirability of having a Central Bank. This Bill has been thoroughly considered and discussed, not only section by section but word by word, in the Joint Select Committee, and I am sure the Honourable Members of this House will find it in every way satisfactory.

**THE HONOURABLE SIR DAVID DEVADOSS** (Nominated Indian Christians): Sir, great credit is due to the Finance Member for bringing forward this measure and piloting it successfully through the other House, and credit is also due to the Honourable Mr. Taylor for the very lucid explanation of the principles of this Bill. I will confine my observations to one or two points. It has been said that this should not be a Shareholders' Bank but a State Bank. If it is a Shareholders' Bank, it is urged the shareholders may not take any interest in its concerns seeing that they are sure of their dividends, and therefore the Board or the Governor will be able to do as they please. My answer to that is that if the shareholders do not take an interest in their own share-holding concern, and if they are going to be indifferent about the doings of the Board, how are they going to manage the affairs of this country when they get self-government? If people realize that this Reserve Bank ought to work in the interests of the country and if people are educated to see that it is worked properly I think the shareholders will take a real interest in its concerns and will see that things are properly done. Another provision in the Bill helps to bring about this result. The Bank's headquarters will be migratory and the annual general meeting will be held not only in Bombay and in Calcutta but also in Madras and Delhi. Well, the people of those places could bring forward objections to the procedure of the Board if they found the procedure was wrong. Therefore, Sir, the objection to the Bank being a Shareholders' Bank, is not a sound one. Again, it is said that the management will be greatly influenced by the Secretary of State. Granting that proposition is true, would it improve matters if the Bank is a State Bank? Would the influence of the Secretary of State be less if it is a State Bank and more if it is a Shareholders' Bank. Therefore, Sir, I think that a Shareholders' Reserve Bank will certainly serve the best interests of the country. If our people had been a little more careful we should have had a Reserve Bank working now. It is a great pity that the Bill of 1928 was not passed. If that had been passed, we should have had a Bank working now for nearly six years and, as a well-known preacher said, when we commit mistakes we stumble upwards. We must have stumbled upwards and we should have had a perfect bank working in 1934. Therefore the sooner the Reserve Bank becomes a settled fact and is put in working order the better it would be for this country. Then, another safeguard is the low value of the shares. It was feared that some capitalists might corner all the shares. It is open to us to induce the people of the country to buy up the shares. Government will not allow the cornering of the shares by a few capitalists and millionaires. Each share is worth only Rs. 100 and we could induce the people of this country to take up almost all the shares and therefore the fear that a few people will get all the shares in their hands is not a well founded one.

**THE HONOURABLE MR. HOSSAIN IMAM:** How will the Government prevent that?

**THE HONOURABLE SIR DAVID DEVADOSS:** By allotting shares to small investors just as some time ago when the Government wanted to raise a loan they gave preference to people who were prepared to offer small sums and not to big banks. Government could see to that. We could ask the Government now to assure us that they will give preference to small investors and not to big investors. Then, Sir, with regard to the question of scheduled banks, I think it is in the interests of the banking world that banks should have some portion of their money in the Reserve Bank. After all we must understand that we are only at the beginning of things. Not only that. We are new to this sort of business. When I say new I say it in this sense that we have been doing banking in the European way within the last 50 or 60 years. Our old way was entirely different. We know how the Chettis, Marwaris and other money-lenders have been doing their business, but the co-operative bank and the shareholders' bank and the company-managed bank have been altogether a new thing to us, and we should have something to guide us, something to direct us, and something which would really be beneficial to us. Therefore the scheduled banks should have a portion of their capital in the Reserve Bank not only to ensure their stability but also to facilitate business. It is not proper that all the capital and the invested money of the banks should be utilised for lending purposes; they must always have a fluid reserve so as to meet demands. Therefore, Sir, no complaint can be made on the ground that the scheduled banks are made to deposit a certain amount of their capital in the Reserve Bank.

It was said that the Imperial Bank has been given facilities which it ought not to have. The Imperial Bank is doing really very good business and it has been with us under this name for the last ten or twelve years. Before that we had the well-known Presidency Banks, the Madras Bank, the Bengal Bank and the Bombay Bank. This Bank has branches all over the country and when the new Reserve Bank comes into being it must have some help from a bank which is well established and I do not think that the facilities proposed to be given to the Imperial Bank are such as to make one think that the Imperial Bank is having something which it ought not to have. There is no other bank which can take its place and therefore all the objection raised on that ground, I think, is not well founded.

I do not want to enter into the question of ratio. It is a very, very difficult question and experts or pandits on that point are not agreed and it is not for me, a layman, to venture to offer any observations on that point. But I will only say this. When we were boys we were told the story of two persons having a fight over the colour of a pillar and after the fight one man fell on one side and the other on the other side and both were right. One said it was dark and the other said it was blue or red and they found one side was red or blue and the other side dark. In this controversy it may be that both are right or both wrong. Therefore we cannot now lay down a hard and fast rule as regards this ratio, and seeing that this is a measure within the competence of this Legislature it is open to the Legislature to make any amendment it likes afterwards. No doubt there is the statement of the Secretary of State that nothing can be altered without reference to the Imperial Parliament. Sir, we know how things are at present. Everything is in the melting pot. We do not know what a day may bring forth. As matters stand at present we do not know what is going to happen with regard to the

currencies of the world. America is doing one thing, France is doing another and England is trying to do a third. In this present state of things it is not right for us to say that we must have either the 16*d.* ratio or the 18*d.* ratio. We shall see how things work. As I said a little while ago, let us stumble upwards. If we commit mistakes, Government are not going to see that India loses everything. They will open their eyes and see that a mistake has been made and they will rectify that mistake. It is not right that we should object to this measure being passed because the ratio is not what some of us would like to have.

It was said that the Legislature should have a voice in this concern. Political influence as it is understood today ought not to have anything to do with business operations because politicians may change their mind, may change their opinions, and they may be moved by passion, or by the sentiment of the hour. This Bank, I find from the Bill, will be above that influence, but it is said that the influence from Whitehall will be preponderant. I do not for a moment think that the Government of India will do things in such a way as to harm the currency of this country. It may be that even if that influence is exerted people here, the Viceroy and his Councillors, would try to put matters right by showing what would be beneficial to India. Now, take the Tariff Bill. There are so many things we are doing which may not be in the interests of Great Britain but are in the interests of India and the Government of India will take care to see that the finances and the interests of this country are not jeopardized by giving way to influence from outside.

Sir, on the whole, I find that this Bill is a very satisfactory one and it is up to us to see that it is worked properly. If, after some time, we find that there are defects and there are sins of omission and of commission, we can get them all corrected. As I said, a Reserve Bank has been overdue for some time and the sooner it is put in force the better for India.

With these few words, I have great pleasure in supporting the Motion for consideration of the Bill.

THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary): Sir, in the course of this long and interesting discussion there have been numerous points raised and though I do not propose to deal with them all, I shall deal with several of them, because I am glad that Members of this House instead of moving amendments on particular points have taken the opportunity in this general debate to raise certain questions which can be discussed more properly with relation to the Bill as a whole than if they had been raised on particular amendments. The first point that I would like to deal with is a simple one, namely, Sir Kurma Venkata Reddi's apprehensions about the Local Governments and their position *vis-a-vis* the Reserve Bank. He apprehended that in a future régime of provincial autonomy the interests of the Local Government might suffer because they would not have a representative on the Board, on the assumption apparently that the Central Government would be fully represented. I would like to point out that the four non-official Members who will be nominated by the Federal Centre will be designed to afford representation to interests otherwise unrepresented. They will not be there as representing Government. The only representative of Government will be what I might call the technical expert who will be there to co-ordinate the technical work of the Bank with that of Government As regards

[Mr. J. B. Taylor.]

the Local Governments, the only practical point that I can see as likely to emerge is with regard to loans and their borrowing programme, and this will certainly not be a matter to be dealt with through a local board. At present, borrowings on account of Local Governments are discussed with the central authority, either Government or the Imperial Bank, and in future they will be discussed with the central authority of the Reserve Bank. I do not think that in practice there is likely to be any difficulty at all because the Reserve Bank will be only too anxious to co-operate in any measure that will improve the credit of the Local Government.

Mr. Basu raised a final trumpet call, on the question of the compulsory deposits for scheduled banks. I congratulate him on a long and gallant fight which I am afraid that he has lost; I am afraid that I am still completely unconvinced by his arguments. I agree with him that the Bank of England does not require to exact compulsory deposits from British banks but the Bank of England is the oldest bank in England, it is by far the most important bank, and it has, as a result of its prestige, numerous unofficial ways of putting pressure on any recalcitrant bank in England. We are creating a new institution which will be confronted with other institutions, long established and with a very high prestige, and for that purpose we must give it some means of exercising at any rate a limited control over such institutions.

THE HONOURABLE MR. BIJAY KUMAR BASU: This system does not exist on the Continent either.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I have not time to discuss all the banks, but there are several banks that have such compulsory deposits, and in Europe in the case of the oldest and strongest institution, the Bank of France, its prestige is so immeasurably superior to other banks in France by reason of its *quasi*-government status that it is able to enforce its authority without this particular right. However, Sir, I do not wish to pursue this particular point.

Another difficulty which was raised which I think is illusory is that the shares might drift to the larger centres, thereby denuding the up-country centres of their representation. I do not think, Sir, that is likely to happen. In the first place, as Sir David Devadoss pointed out, we are making careful arrangements in the Bill to secure the maximum distribution of voting power on the initial allotment. Preference is going to be given to those shareholders who apply for Rs. 500 worth of shares, that is to say, the minimum voting right. Afterwards, Sir, I do not see any reason to anticipate a drift. These shares are not going to be speculative. They are going to constitute a stable form of investment. As Sir Homi Mehta pointed out, the people who initially subscribe for them will not be people who intend to turn them over at once. I therefore think, Sir, that there will be very little reason to anticipate any drift to the larger centres. Even if there is, that will not affect the voting right of the up-country centres, centres like Delhi and Rangoon, because they will still be allowed to return the same number of directors however much the share register may be denuded. And that, Sir, in itself will also be a powerful corrective to any excessive drift because the more shares that drift away from such centres the greater will be the voting power of the remainder. For these reasons, Sir, I do not think that we need anticipate any material alteration in the initial distribution.

Sir Kurma Reddi twitted Government with over-apprehension about what is called political influence. Sir, I do not wish to overstate the case. Everybody knows what political influence is interpreted as meaning in India at present. But, Sir, that will not always continue. We must not visualise that for ever what is called political influence in India will be synonymous with a certain type of national aspiration. In future we hope that politics will develop in India on the same lines as in other countries and when that development occurs we do definitely wish that there shall be in existence a banking institution which will be outside politics. I might give as an instance something that has happened during the last few weeks. The Bank of France is outside politics. We have seen one Government succeed another day after day in France and yet the Bank of France has managed to stand up against one of the strongest attacks made on its currency and has emerged undefeated. What would its position have been, if it had been politically bound up with the changing Governments of the day? Sir, the experience of other countries, of the Bank of England, and of the Bank of France is, to my mind, conclusive that we should look at this question not from the temporary aspect of nationalism or anti-nationalism but from the point of view of the stability of the country, and you will be building well if you create now a Reserve Bank that is and will remain outside politics.

I now turn, Sir, to what I might call the destructive criticism of the measure and I find considerable difficulty in arriving at an appreciation of what is the attitude of mind that underlies those criticisms. In the first place, I do not think they are putting their case quite fairly even from their own point of view. What Lala Ram Saran Das and Mr. Banerjee were saying in effect is that they will be put on the horns of a dilemma, that India was being compelled to swallow what it did not want as an essential pre-requisite to constitutional reforms. Sir, I think that is an entirely wrong way of looking at the matter. Constitutional reform does not come suddenly. If it is to be wholesome it must broaden steadily from one development to another and this measure, quite apart from any question of a further instalment of constitutional reforms, is in itself a most material advance in India's constitutional development. In fact, Sir, I do not think that I would be exaggerating if I said that both as regards immediate effective powers and as regards ultimate potentiality it is one of the greatest, if not the greatest, transfer that has ever been made since the British Government assumed the control of this country.

Then, Sir, they went on to talk about pre-requisites. The Honourable Rai Bahadur Lala Ram Saran Das said that until certain pre-requisites were fulfilled it was rash to create a Reserve Bank. There, Sir, I was frankly amazed. I could imagine him talking like that if he was a Die-hard speaking in the House of Commons arguing that the times were not propitious for such a great transfer of control. But why he should stand up in this House and say that these are arguments why the Indian Legislature should not accept it when offered I frankly confess that I do not understand. In any case, he was exaggerating. He said that our budget was not balanced, and though he somewhat reluctantly admitted that there was a certain minor improvement in our short term debt position and our external credit, he maintained that our exports were going from bad to worse and that the end could only be ultimate disaster. Sir, in reply to that I can only say that no country can say that it is at the height of prosperity at present, but if he will look round I do not think



[Mr. J. B. Taylor.]

that he will find that there is any country whose budgetary position appears more favourable than ours. As regards our short term liabilities in the last two-and-a-half years we have succeeded in funding liabilities which would have matured within five years to the extent of Rs. 170 crores. As regards our external credit, we have now built up external reserves to the extent which the Bill has set out as a pre-requisite for the creation of a Reserve Bank, that is to say 50 per cent., and as Sir Homi Mehta pointed out, if you take into consideration the hidden reserve which we have on account of gold and also the other sterling balances that we have in the Treasury, that percentage will be raised materially; it might even be as high as 70 or 75 per cent. Also, Sir, in the first year after we went off gold there was a temporary dislocation of our imports and exports. The balance is now being redressed, and there is again a steadily increasing export surplus quite independent of the exports of gold.

Then, Sir, the Honourable Mr. Hossain Imam said, if I understood him aright, that there was no object in creating a Reserve Bank because the Reserve Bank could not stand up to emergencies, and that if there was a war or other crisis, that Government must take charge. I did not follow what the conclusion of this argument was. I presume that it was that there was no use in creating a Reserve Bank at all. Surely, the commonsense view of the matter is that if there is a crisis, Government must co-operate, but that if such a crisis occurs it will be of very great value to Government to have an independent and authoritative body which can tender advice at that time. If there is no Reserve Bank and a crisis occurs, Government has to take what action it can, but if there is a Reserve Bank in existence, they will be ready with their advice. They will also be able to warn the Government of impending dangers, so that—even though when the crisis occurs Government may have to take charge, it will be all the better for it to have a Reserve Bank in existence as an established authority.

There is one minor point that the Honourable Rai Bahadur Lala Ram Saran Das asked me to answer specifically and that was about the cost of the new institution. He quoted figures from a memorandum of Sir Malcolm Hailey. The figures, Sir, were not on the same basis. The original arrangement was that the reserve fund of the Bank should be built up to the extent of Rs. 5 crores from the profits of the Bank over a period of about five years. As Government is what I might call the residuary shareholder of the Bank, that is to say, the party which will get the balance of the profits after the shareholders have been paid their dividends, it follows that if this reserve had to be built up out of the profits, there would have been a temporary loss to Government revenues. We have now met that by providing in the Bill that Government will make an initial subsidy of Rs. 5 crores, which will be borrowed, to create a reserve fund for the Bank. This will mean that Government will get at once its full share of the profits. Sir Malcolm Hailey's forecast was based on the position before this provision was brought into the Bill, so that is out of date now and the initial loss will be very much reduced. It is somewhat infructuous to attempt a calculation of what that loss will be, because the profits of the Bank depend so much on the rate of interest at which the Bank can invest its reserves. Two or three years ago when the Bank would have been able to invest at 4 and 4½ per cent. in British Government Bills, these profits would obviously have been very much larger

than now when it could only get one-half or two-thirds per cent. Fluctuations on that account may easily amount to Rs. 2 or Rs. 3 crores. At the same time, so far as I can calculate, the actual loss to Government as compared with what it would have had to incur if the present management of the currency had been continued should not be more than Rs. 5 to Rs. 10 lakhs, and even that is not going to be a dead loss. It is due to the fact that we are incurring expenditure in creating an Agricultural Credit Department and in engaging in other activities which the country demands and which seem to be necessary for productive development, so that it is unfair to talk in terms of profit or loss. In any case, as I have said, the profit or loss will be negligible in comparison with the fluctuations in the ordinary profits which will occur from fluctuations in the value of its holdings.

I now come, Sir, to the old and vexed question of the ratio. I do not propose to deal at any length with it because I think that the arguments of the Honourable Mr. Hossain Imam have been fairly effectively riddled by several other speakers, and I do not consider that the ratio issue arises on this Bill. But, looking at it in an unprejudiced way from the outside, there is one characteristic feature of the debate which appealed to me and that was that though the advocates of devaluation were very eloquent they stuck to generalities while the opponents, that is, those who argued against it, went down to details. They analyzed the problem, commodity by commodity and showed with reference to particular classes how the change would work out. It is very simple to say that if you reduce the rupee  $12\frac{1}{2}$  per cent. you will immediately increase the price of wheat, or cotton or rice by  $12\frac{1}{2}$  per cent., but everybody knows that this is not the way the thing will work. The Honourable Mr. Hossain Imam went even further. He said that the policy of keeping money stable ought to be the policy of the Central Bank. Sir, there is no charter which any Central Bank in the world possesses which contains the words "stable money" and I do not see how it would be humanly possible to throw such a task on a Bank. If I might give a small metaphor, Suppose we were creating a Bengal Pilot Service to pilot ships up and down through the dangerous currents of the Hooghly. Somebody gets up and opposes it on the ground that instead of having a Bengal Pilot Service, we ought to make the sea flat and prevent there being any currents, as in that case we would not require a Bengal Pilot Service. When asked to develop his thesis, in reply to the question "How do you propose to stop these dangerous tides", his answer is, that it is quite simple, so long as you have elastic measures. You throw out the weight. At one time it registers four fathoms and at another time it registers six fathoms. If the water gets shallow, then you have only to invent a shrinkable line which will still show six fathoms, and the ship will still pass in perfect security. I think, Sir, that fairly describes the attitude of those who think that they can get over these world troubles simply by tinkering with the internal standard. Sir Kurma Reddi was perfectly correct when he said that there are many more factors involved than that. It is a most difficult question and it is impossible to simplify it in that way.

At the same time, Sir, I entirely agree with him that the position is not satisfactory, particularly as regards agriculture, and that Government cannot simply fold their hands and say that nothing can be done. Unfortunately, Sir, it is very difficult to know what to do. There is a lack of anything concrete to work upon. We have had Commission after

[Mr. J. B. Taylor.]

Commission. The Honourable Mr. Hossain Imam accused us of pigeon-holing these reports. I have carefully examined the recommendations of the Agricultural Commission and the Banking Enquiry Committee on this point, and so far as I can see, any concrete recommendations which they had made have been nullified by some recommendation, some prerequisite, which is quite impracticable. For instance, the Banking Enquiry Committee recommended the wide institution of land mortgage banks. They talked a lot about it and then added a sentence:

“ Provided that there will be free transferability of land”.

Now, what is the use in India of saying that you want land mortgage banks but that you can only have them if there is to be free transferability of land? Everybody with any knowledge of the agricultural problems of India has known for years that there lies the difficulty. We have built up in India an artificial protection for the agriculturist by impeding the right of transfer. His rights vary from province to province, from district to district and even from village to village. So long as you maintain that protection to him it is idle to suppose that the credit which he can offer will be as good as if he had something more definite to give as security.

Then again, as regards co-operation. Co-operation has done a great deal of good. I would be the last to under-estimate the value of the work which has been done. But, Sir, there again, we must look facts in the face. The essence of the co-operative movement as I understand it is that a number of men band together, some of them to lend money and others to borrow it. If it is merely a case of them combining together to borrow money then it is doubtful how far the mere fact of their so combining increases their corporate security. In fact from one point of view it might be argued that it made it less. If you have one individual borrowing money and anything goes wrong, you can sell him up; but if a whole village is in a co-operative society and all borrow money and fail to pay it is obviously impossible to sell up the whole village. There will be no buyers, and obviously the wider this tendency spreads, the less will the security become. From that point of view it is arguable that the co-operative movement does not really increase the corporate credit of individuals for borrowing.

These, Sir, are points which I am bringing forward, because it does seem to me that there has been too much rhetoric on this question and that it is time that people got down to real facts and put forward proposals before Government which are based on these facts. We are only too anxious to do anything that can be done, but until those two essential difficulties are realized it is idle to talk of any panacea.

The only panacea which I am definitely certain is a quack one is devaluation. Where there is devaluation, Sir, I am convinced that whoever loses it will not be the *mahajan*. The *mahajan* will always be two moves ahead of the game. If the rupee was devalued so as to increase prices by 20 or 30 per cent., you may be perfectly sure that the paper debts would go up by 50 or 60 per cent. You are not going to get rid of the problem of agricultural indebtedness by those means, unless you follow Mr. Hossain Imam, who has developed an enthusiasm for Germany, to his logical conclusion and reduce the rupee to the value which the mark once had. He said the mark went down to 100 millions to a penny.

He was wrong, it was 1,000 millions to a penny. Well, Sir, if you could devalue the rupee to an extent which would reduce the whole of the present revenue of the Government of India to less than one anna, I have no doubt that you would effect a certain reduction in the debt of the agriculturist. But I do not know that that would be the end of the matter. Russia, Austria, Germany have had to devalue their currencies to nothing and they are still struggling with the consequences and if we look to see what in practice was the result, we find that it was not the agriculturist who has benefited but the man whom one would expect to benefit, that is to say, the man who knows something about currency and exchange, the speculator, the moneylender—he is the man who is going to profit by any alteration.

But as I said, Sir, we recognize the gravity of the problem; the unprecedented fall in prices has undoubtedly had severe repercussions on the established social order in India and we do not wish to minimize that aspect of the question. At the same time, looking at it from that point of view, I still think that what Government have proposed is the most practical method, that is to say, to get ahead with the Reserve Bank, to try to get people together who will examine these questions in a dispassionate and concrete manner and put up proposals to Government giving us something to work on. We can go on turning out Commissions, but so long as they are composed of people who can merely repeat what has been said before we do not get forward at all. I do think however that an Agricultural Credit Department which will act in co-operation with the Local Governments will afford some chance at any rate of seeing these problems in their true perspective, of seeing what the real difficulties are and possibly finding a solution. From that point of view, from the point of view of the agriculturist, I think that the Reserve Bank should be an unmitigated boon to India.

**THE HONOURABLE THE PRESIDENT:** The Question is:

“That the Bill to constitute a Reserve Bank of India, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT:** As regards the next stage of the Bill I propose to postpone it till tomorrow for two reasons. In the first instance we have made satisfactory progress today and I feel we will be able to finish this Bill tomorrow. Secondly, I dislike that a Bill of this magnitude and importance should be passed when many non-officials are absent. I would like non-official Members to have the fullest opportunity of discussing their amendments. It is for these two reasons I shall adjourn the House till tomorrow.

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The Council then adjourned till Eleven of the Clock on Thursday, the 15th February, 1934.



## COUNCIL OF STATE.

Thursday, 15th February, 1934.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

### RESERVE BANK OF INDIA BILL—*continued.*

THE HONOURABLE THE PRESIDENT. We will now proceed with the detailed consideration of the clauses of the Bill, but before we proceed I would like to point out to Honourable Members that during the last two days I have given Honourable Members the widest latitude when discussing the principles of the Bill in allowing them to discuss the different clauses of the Bill in some detail and I trust there will not be needless repetition today of the same arguments that have been advanced before.

The Question is:

"That clause 2 stand part of the Bill."

THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary):  
Sir, I move:

"That in the proviso to sub-clause (c) of clause 2 for the word 'society' where it last occurs the word 'bank' be substituted."

Sir, this is a purely verbal amendment. In this sub-clause we are defining "provincial co-operative banks", but as a result of an amendment which was introduced in another place we did not notice that in elaborating the definition of a "provincial co-operative bank" we had used the words "provincial co-operative society".

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I beg to oppose the amendment that has been moved by my Honourable friend Mr. Taylor. By this amendment my Honourable friend wants to restrict the provisions of the Bill to provincial co-operative banks only, but as in the definition they can be applied to big co-operative societies in the provinces. For instance, take my province. There are a large number of central societies which are as big as provincial banks in some provinces and working with lakhs and lakhs of rupees. They have got smaller units affiliated to them and they will be deprived of the benefit of the Reserve Bank if the amendment of my Honourable friend Mr. Taylor is carried. I may, for instance, say that there is a posts and telegraphs society in my province. It is a very big society and it has got a number of other societies. Then, there is the grain merchants' society, there is the co-operative sugar factory, which has got about a hundred societies affiliated to it. So all these big co-operative concerns will be deprived of the benefit of the provisions of the Reserve Bank if this amendment is carried.

**THE HONOURABLE MR. J. B. TAYLOR:** On a point of personal explanation, Sir. That is not the intention at all. This is merely a verbal alteration. We are not limiting in any way the powers of the Provincial Government. At present we say:

"\* \* \*the Local Government may declare any central co-operative society in that province to be a provincial co-operative society within the meaning of this definition".

Those words are meaningless, because it is not a provincial co-operative society which is defined in the definition. What we are defining is a "provincial co-operative bank". The change is purely a verbal one.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** A society itself consists of societies as well as banks. Banks are also called societies. In fact the correct word is "society", not "bank" so far as co-operative societies are concerned, and when we speak of central co-operative banks we also mean central co-operative societies. This is a larger term in which all these societies are included. This was not moved in Select Committee as well as in the Assembly. Now at this eleventh hour in the Council of State this important amendment has been brought in. I do not know, Sir, whether this is to be treated as a verbal amendment or as an amendment carrying far-reaching consequences; and if this amendment is effected, I would like to know from the Government whether the Bill will again have to be referred back to the Assembly or not. I would like to have this information also from the Government.

**THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official):** Sir, I do not see any objection at all to the amendment proposed. There is really no difficulty in this case. If my Honourable friend who has opposed this amendment had seen the proviso he would have noticed that any co-operative bank can be declared to be a provincial bank within the meaning of this Act by the Local Governments. The original idea was to limit it to provincial co-operative banks, but, later on, it was pointed out that there were more provincial banks than one in certain provinces; as, for instance, in Madras we have the ordinary provincial co-operative bank which supplies money to the central banks in the district which in their turn supplies money to the primary societies. In addition to these provincial banks we have also a land mortgage bank which is also a provincial one and it was considered that both these even were not enough. So power was granted under the proviso for the Local Governments to declare such central banks to be brought under this definition. It is only a matter of language and I really do not see the objection.

**THE HONOURABLE THE PRESIDENT:** The original Question was:  
"That clause 2 stand part of the Bill."

Since which an amendment has been moved:

"That in the proviso to sub-clause (c) of clause 2 for the word 'society' where it last occurs the word 'bank' be substituted."

The Question I have to put is:

"That that amendment be made."

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Rai Bahadur Lala Jagdish Prasad.

(The Honourable Member was absent.)

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, if you permit me, I would like to move amendment\* No. 5?

THE HONOURABLE THE PRESIDENT: I must point out that in the Standing Orders there is no authority to permit one Honourable Member to delegate the moving of any resolution or amendment to another Honourable Member. That is the usual practice, and I do not wish to depart from it. However, when amendment No. 5 is reached, the Honourable Member may apply to the Chair to move the amendment in his own name and the Chair, unless any objection is taken by any Honourable Member, will consider the question at that stage.

(When amendment No. 5 was reached the Honourable the President again called upon the Honourable Rai Bahadur Lala Jagdish Prasad.)

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: May I have your permission to move amendment No. 5, Sir?

THE HONOURABLE THE PRESIDENT: I cannot permit the moving of this amendment. It is in entire conflict with the provisions of the Government of India Act. The Government of India Act as it stands now does not recognise the consultation or advice of the Ministers and therefore this amendment is wholly inadmissible and I cannot permit it.

The Question is:

"That clause 2 stand part of the Bill."

The Motion was adopted.

Clause 2, as amended, was added to the Bill.

Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 4 stand part of the Bill."

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadian): Sir, I beg to move:

"That for clause 4 the following be substituted, namely:

"4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government".

Sir, I will not tire the House with a long speech as my amendment does not require a long explanation—it being self-explanatory. My amendment demands that the whole of the capital of the proposed Bank be subscribed by the Government from the State coffers. The primary object in proposing a Shareholders' Bank instead of a State Bank was to free the Bank from political influence. As I explained the other day the term "political influence" does not mean the influence of Indian politicians only but the term also covers the influence of British politicians as well. If

\*That after sub-clause (e) of clause 2 the following new clause be inserted, namely:

"(f) The Governor General in Council means the Governor General acting on the advice of the Member or Minister in Charge of Finance."



[Mr. Jagadish Chandra Banerjee.]

the influence of both parties had been avoided I would have had no objection to a Shareholders' Bank. But, Sir, what do we find in the Bill? At every step the influence of the Governor General, either in Council or at his discretion, has been invoked. As I said the other day the Governor General under the new constitution will be a party politician of the British Parliament and therefore it is not very difficult to imagine that the influence of the political party in power in the House of Commons will be brought to bear on the Governor General under the future constitution as it is proposed therein to arm him with autocratic powers as well. Sir, if the influence of the Ministers of the British Cabinet, namely, the Secretary of State for India can be tolerated in this Bank, I do not understand why the influence of an Indian Finance Minister belonging to a political party in the Indian Legislature cannot be tolerated? The whole object in proposing a Shareholders' Bank is to divest the future Indian Finance Minister, if he ever comes into being after the Greek Kalends, of all his controlling power over the Bank. As I have already mentioned before, the proposed Shareholders' Bank leaves the door open for British political influence to be brought on the Bank while refusing the same privilege to the Indian Finance Minister. I, for one, cannot account for this sort of racial discrimination. In all probability, Sir, it is due to distrust of Indians. With all the emphasis at my command and at every opportunity available to me I appeal to Government to give up this distrust of Indians. It is a well-known proverb that distrust begets distrust. The more you distrust the people of this country the more India will distrust all your actions even if they are done with *bona fide* good motives. I would therefore advise them, even at this stage, to seriously consider whether they can still make the Bank a State Bank fully subscribed by Government. But if ultimately this Bank is brought into existence solely through the power that the Government have over the conquered, I visualize that the future only will prove the failure of the Bank for which all the responsibility will be on the shoulders of the present bureaucrats.

With these words, Sir, I commend my amendment for the acceptance of the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, there is a similar Motion in my name the object of which is the same that is Amendment No. 7 but instead of moving that I would like to support the Motion moved by my Honourable friend Mr. Banerjee. Sir, this amendment involves a very important consequence for which we fought in Select Committee and in the Assembly and those of us who have written notes of dissent, would like to see it discussed threadbare on the floor of this House also. Sir, we are not opposed to a Shareholders' Bank if it is going to be really so. We tried to convert some of its sections to make it really a Shareholders' Bank but we failed to do that and then we were compelled to write a minute of dissent. The scheme as it stands, Sir, is neither here nor there. In name you may call it a Shareholders Bank but if you examine it carefully you will find that it is nothing but a State Bank in the garb of a Shareholders' Bank. Out of the 59 clauses of the Bill if the Honourable Members will like to count they will find that in no less than 80 places the words "Governor

General" has been used. That is, the Governor General is the sole controlling authority in the Shareholders' Bank. If it is going to be so, why not straightaway make it a State Bank and the capital that is to be invested from the Government of India should be utilized by the State instead of the shareholders getting a profit out of it. Sir, as the words "Governor General in Council" is used and not "the Governor General in Council acting with the Finance Minister" we do not know whether the restrictions that have been levied on this Bank will be exercised by the Governor General with the Finance Minister in the future constitution or the Governor General alone. We wanted to clear this point but it was not cleared with the result that we are labouring under the misapprehension that the Finance Minister who will be responsible to the Legislatures will have practically no hand in the control of the Reserve Bank. Then, Sir, it has been said that the Reserve Bank should be kept aloof from the influence of political parties. When the Governor General, who is the leader of the biggest political party in India, comes in in every place, why have other parties been excluded? The result will be that the Legislatures will be helpless in criticising the working of the Bank as it is to be called a Shareholders' Bank while the Governor General will be exercising all the powers. So, if it is enacted as it is the Legislatures will have absolutely no say over this Bank. Then, Sir, this is going to be the principal Bank, the National Bank, I should say, of this country and no restriction has been placed about the purchase of shares by non-nationals nor about the Directors belonging to non-nationals. A National Bank should always have an absolute majority of nationals. Had there been any provision that 75 per cent. of the shares should be held by nationals or that out of the thirteen voting directors there should be ten directors belonging to nationals, I would have supported the scheme. But in the absence of these two restrictions, non-nationals can hold as many shares as they like. They will certainly have no right of giving more than 20 votes, but they have got tons of money and will purchase shares in any number just to sterilise votes which would have been used by the shares purchased by the nationals. I admit that when the allotment is made the shares will be allotted in a way that 75 per cent. will go to nationals. But when there is no check, they can be purchased in the market by the non-nationals. Giving a premium of, say, Rs. 5 per share, they can corner and purchase almost all the shares. There is absolutely no provision in the Act which will debar them from doing so, and thus this National Bank will become a non-National Bank. Therefore we were of opinion that if this Shareholders' Bank was going to meet with such a fate, it would be better to have a State Bank; if the capital is put in by the State, the Legislatures shall have influence over the Bank, the shareholders or the directors will not come from the non-nationals and the Government shall be the sole appointing authority of the directors, whose action will always be criticised in Legislatures. These were the fundamental points on account of which we could not agree, and do not agree, to the scheme that has been placed before us. As I said at the very beginning, it is neither here nor there. The name is that of a Shareholders' Bank but the national shareholders will have no control over the Bank. Therefore, Sir, we are in favour of a State Bank so that the profits out of the investment may be utilized by the taxpayers instead of the shareholders.

Sir, I support the amendment.

THE HONOURABLE SAIYID RAZA ALI (United Provinces: Nominated Non-Official): May I enquire whether the Honourable Member recorded his dissent to this effect in the Minority Report which I suppose he has signed?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Certainly.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this amendment, in the form in which it stands, is of course a purely wrecking amendment because though it purports merely to alter one sub-clause, in effect it will necessitate the entire wrecking not only of Chapter II but also of the provisions for the distribution of profits, the exemption of the profits of the Bank from income-tax and the submission of the report of the auditors to the meeting of the shareholders. For that reason, Sir, I should have thought that the arguments which my friend has raised would have been more properly raised on the general motion for consideration, because it is obvious that if he intends to press them, he is really intending to wreck the Bill.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I have already said that, Sir—.

THE HONOURABLE MR. J. B. TAYLOR: At the same time, Sir, though I do not wish to go again over all the elaborate arguments dealing with the question of a State or Shareholders' Bank, there are one or two misapprehensions which I would like to have the opportunity of rebutting. In the first place, when the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra opposed my first amendment I had a suspicion that though a member of the Joint Committee he could not have studied the provisions sufficiently carefully and I am afraid that that suspicion is strengthened by his speech now. He says, if I understand him correctly, that the words "Governor General" are used and not the words "Governor General in Council" thereby apparently meaning that some mysterious entity hitherto unknown to the Constitution is being created to upset the ordinary position. Sir, I do not think that there is one place in the Bill in which the words "Governor General" are used. In the next place, he used his strong imagination to conjure up a fantastic supposition that a large part of the shares will be bought by non-nationals. He admitted that the non-nationals would not have the right to vote but at the same time he said that they would buy them in order to sterilise votes. I do not quite see what object those malicious non-nationals would have in buying up shares merely to sterilise them because the fewer shares that are left—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Safe investment of 5 per cent.

THE HONOURABLE MR. J. B. TAYLOR—because the greater the number of shares which are bought up in this way, the greater would obviously be the voting strength left to the remainder held by the nationals. In addition, Sir, in clause 4, sub-clause (3), it is stated that nobody who is not covered by (a), (b) or (c) shall be registered as a shareholder or be entitled to the payment of any dividend. Sir, I think that

it passes human belief that these non-nationals, however malicious they were, would buy up blocks of shares of which they would obtain no dividend at all.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Dog in the manger!

THE HONOURABLE MR. J. B. TAYLOR: A very mad dog in the manger! But I do not think, Sir, that at this stage I am called upon to go over all the arguments again. I merely wish to say that nothing that has been raised either in the general debate or now has altered the view which I think that this House will confirm that a Shareholders' Bank is in the interests of India. I, therefore, Sir, oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That for clause 4 the following be substituted, namely:

'4. The original share capital of the Bank shall be five crores of rupees which shall be fully subscribed by Government'."

The Question is:

"That that amendment be made."

The Council divided:

#### AYES—5.

Banerjee, The Honourable Mr.  
Jagadish Chandra.  
Hossain Imam, The Honourable  
Mr.  
Kalikar, The Honourable Mr.  
Vinayak Vithal.

Mehrotra, The Honourable Rai  
Bahadur Lala Mathura Prasad.  
Naidu, The Honourable Mr. Y.  
Ranganayakalu.

#### NOES—29.

Buta Singh, the Honourable Sardar.  
Charanjit Singh, The Honourable  
Raja.

Choksy, The Honourable Khan  
Bahadur Dr. Sir Nasarvanji.

Devadoss, The Honourable Sir  
David.

Ghosal, The Honourable Mr.  
Jyotsnanath.

Glancy, The Honourable Mr. B. J.

Glass, The Honourable Mr. J. B.

Habibullah, The Honourable Nawab  
Khawaja.

Hallett, The Honourable Mr. M. G.

Henderson, The Honourable Mr.  
J. S.

Hubback, The Honourable Mr. J. A.

Jalan, The Honourable Rai Bahadur  
Radha Krishna.

Johnson, The Honourable Mr. J. N.  
G.

Mehta, The Honourable Sir Homi.  
Miller, The Honourable Mr. E.  
Mitchell, the Honourable Mr. D. G.  
Noon, The Honourable Nawab Malik  
Mohammad Hayat Khan.  
Padshah Sahib Bahadur, The  
Honourable Saiyed Mohamed.  
Ray, The Honourable Maharaja  
Jagadish Nath, of Dinajpur.  
Raza Ali, The Honourable Saiyid.  
Reddi, The Honourable Sir Kurma  
Venkata.

Russell, The Honourable Sir Guthrie.  
Souter, The Honourable Mr. C. A.  
Spence, The Honourable Mr. G. H.  
Sprawson, The Honourable Major  
General C. A.

Stewart, The Honourable Mr. T. A.  
Suhrawardy, The Honourable Mr.  
Mahmood.

Taylor, The Honourable Mr. J. B.  
Ugra, The Honourable Rai Sahib  
Pandit Gokaran Nath.

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: I presume you do not propose to move amendment No. 7?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: No, Sir. I will move amendment No. 8, which runs:

"That in sub-clause (2) of clause 4, for the word 'Delhi' the words 'Punjab, Cawnpore, Karachi' be substituted."

The object of this amendment is to increase the centres from five to seven places. Under the Bill there will be only five centres of the Reserve Bank, Bombay, Calcutta, Madras, Delhi and Rangoon. If my amendment is accepted there will be seven branches. I want to delete Delhi and have additional centres in the Punjab, at Cawnpore and Karachi.

THE HONOURABLE MR. J. B. TAYLOR: Might I ask the Honourable Member whether he means to use the word "Punjab" or whether he desires to substitute "Lahore"?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I mean "Lahore", Sir, and if the Honourable Member will accept my amendment I will certainly ask one of my colleagues to substitute "Lahore" for "Punjab". I meant "Lahore" when I put in "Punjab".

THE HONOURABLE THE PRESIDENT: Do you wish to remove the word "Punjab" and substitute "Lahore"?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Yes, Sir, if you will permit me I would like to substitute "Lahore" for "Punjab".

(The Honourable the President signified his assent.)

Sir, this amendment is not without principle. I have selected these places according to some principle, and it is this that they have got Government currencies at present. These currencies will have to be maintained under the present scheme, whether there is a branch of the Reserve Bank at Lahore, Cawnpore and Karachi or not. So that there will be no extra expenditure to Government if my amendment is accepted. A little addition and alteration in these currencies will be quite sufficient for transforming them into branches of the Reserve Bank. Some additional staff would certainly be required, but little additions will be required in buildings and strong rooms which already exist, and what will cost in additional staff will be more than compensated for in the saving of commission on business. I understand a large amount of business is being carried on in these centres. If there are no branches of the Reserve Bank the Imperial Bank will act as its agent and will have the benefit of the business being transacted in these places. So considering all these points the Bank will not lose anything, rather may gain something if branches are established at these places.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I do not wish to interrupt the Honourable Member, but surely he is under a misapprehension? This clause 4(2) deals with registers of shareholders. The clause dealing with branches of the Bank is No. 6.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: If the amendment is not moved at this stage and if registers are not to be kept at these places there cannot be branches. I have therefore thought it advisable to move it here, because it is only by having registers at these places that we can have branches there. If I had not moved my amendment at this place, my Honourable friend would have got up and said that the Council has accepted registers to be kept at five places and therefore the amendment is out of order—to have branches at seven places. So I have anticipated his larger objection and have moved my amendment at this place. Sir, there is another reason, as I was going to say, for having branches at Lahore and Cawnpore—the northern portion of India is mostly agricultural country and if branches of the Reserve Bank are kept here the agriculturist will be better served. I may remind the House that 85 per cent. of the population of this part of the country is living on agriculture, and so it is very necessary to have these two branches in Northern India and as there is no extra expense involved, I hope my Honourable friend Mr. Taylor will gracefully come forward to accept this amendment of mine.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I interrupted the Honourable Member because I wished to clarify the discussion. I thought at the time and still think that he is labouring under a complete misapprehension. This clause deals with the register of shareholders. It has nothing whatever to do with branches, which is dealt with in clause 6, and there is nothing in clause 6 to show that it is in any way linked up with this clause. In fact, clause 6 provides for a branch in London without there being a share register there and without people in London being entitled to hold shares. Also if an amendment is brought in here, I would like to hear from the Honourable Member how he proposes to effect the consequential alterations in the share register and what these constituencies are to be? He said one of his objects was to increase agricultural representation; yet he has made no proposal for any rearrangement of the voting power, with the result that if there were share registers there would be nobody to vote for.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: They will all be consequential amendments.

THE HONOURABLE MR. J. B. TAYLOR: It is more than consequential because it will affect the composition of the directorate, but I do not press that particular point and I shall come to what I take to be the real intention of his suggestion which is that there should be, as I understand it, Issue Branches more than actual share registers at these places. As regards that, Sir, the Bank is by no means precluded from retaining the Currency Offices at these three places if it so desires or from giving them such facilities as it likes. I am certain, Sir, that the Bank will at first at any rate wish to continue the offices of the Issue Department at these places, because they are conveniently situated for the distribution of notes, they are important commercial centres and facilities will either be continued directly by the Reserve Bank or through the Imperial Bank so that from the point of view of the public they will remain unimpaired. At the same time, Sir, I must oppose this particular amendment because, as I said, it would upset the carefully arranged distribution of the voting power over India.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (2) of clause 4, for the word 'Delhi' the words 'Lahore, Cawnpore, Karachi' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Sir, I move my amendment which reads as follows:

"That at the end of sub-clause (2) of clause 4 the following words be added, namely:

'and no person shall be allowed to hold more than 200 shares.'"

Sir, I am not one of those who believe in the free marketing of shares in such a scheme as the proposed Shareholders' Bank. In the name of free marketing of shares the capitalists have been given the opportunity of accumulating all the vote carrying shares into their hands if they so desire. I am not going to discuss whether in actual circumstances this might happen or might not happen. But no one can deny that if the capitalists combine they may do it and thereby control the Bank to the advantage of such combines. I therefore suggest that no shareholder should be allowed to accumulate more than 200 shares. The Shareholders' Bank is not an ordinary joint stock company. That being the case the question of the free marketing of shares should not stand in the way of limiting the accumulation of shares with an individual. Before I conclude I would ask Government whether it is a fact or not that they agreed in the Joint Select Committee to reduce the value of shares from Rs. 500 to Rs. 100? If so, I would further ask them what was the underlying idea in doing so? Was it not the intention that the shares may be diffused even to the masses? I admit that in the first allotment the shares may be diffused into all classes and sections of people. But is it not the duty of the Government to see that the shares diffused into all sections of people are maintained throughout in the way in which the shares were originally allotted. Without limitation of holding of the shares by individuals, I would not be surprised if, at any future date, the number of voters of the Bank is limited amongst only a few hundreds of capitalists. I still maintain that it is the duty of the Government to bring this measure into perfection without leaving any loopholes by which the object in view may be frustrated.

With these words, Sir, I commend the amendment for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is a question which was carefully considered both by the London Committee and by the Joint Committee and the views of the majority were that though the nominal value of the shares should be reduced so as to ensure as wide a distribution as possible and that the voting power should be limited it was undesirable to impose any restriction on the maximum holding as such a restriction would most seriously impair their marketability and in effect would prevent what is the object of the Honourable mover of this amendment, the widest possible distribution of its shares among the poorer classes of the country. The reason is obvious. If there is a

restriction on the total holding of shares it will not be possible to market them, because brokers will have to know before they can effect a sale, before a share transfer can be registered, whether or not the buyer has already reached his total maximum. That, Sir, will particularly affect the poor holder of a share who may wish to get an advance against it because the number of parties from whom he can obtain such an advance will be materially decreased. It will be quite impossible for any bank to advance on any scale against these shares if the number of shares which they can take over is to be limited in this way. Therefore, Sir, this restriction would most seriously affect the small holder in whose interest it is desirable that the shares should be freely marketable. It will not at all achieve another object which the Honourable mover has in mind, that is, to prevent the concentration of the shares in a few hands, because if there are one or two people who wish to sterilise shares—I have said that is a most fantastic supposition—they will not be deterred merely by a provision of this nature. They can easily buy them and leave them in the hands of nominees. The character of these nominees could not be detected, because *ex hypothesi* their object being merely sterilisation they will not register. Therefore, Sir, it seems to me that a provision of this nature would have the opposite effect to that which the Honourable mover intends, and I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That at the end of sub-clause (2) of clause 4 the following words be added, namely:

'and no person shall be allowed to hold more than 200 shares'."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move.

"That to sub-clause (3) of clause 4, the following proviso be added:

'Provided that 75 per cent. shares shall always be held by the Indian Nationals'."

Sir, the object of this amendment is quite obvious and it does not require much explanation from me. If there is no check of this sort we are afraid that the majority of the shares can at any time be held by non-Nationals which is against the principles of such a national institution. Sir, if Honourable Members will look at clause (c) of sub-section (3) they will find that according to this sub-clause, *viz.*,

"a company registered under the Indian Companies Act, 1913, or a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies or a scheduled bank, or a corporation or company incorporated by or under an Act of Parliament or any law for the time being in force in any part of His Majesty's Dominions"

any foreign company can purchase as many shares as they like. If the restriction had applied to Britishers only I would have accepted it but as non-Britishers can also purchase as many shares as they like I think it is necessary to restrict the number of shares being purchased by Nationals and hence this amendment. Sir, this is not a new thing that I am pressing for in this House. I would like to quote the instances of



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

other foreign countries in which there are such restrictions. I may inform the House that in the Netherlands, Denmark and Czecho-Slovakia, the voting rights are only exercised by Nationals. In Lithuania it is provided that foreigners may not hold more than one-third of the capital. So, Sir, it is not a new thing that I am proposing in the interests of my countrymen here by moving this amendment. I hope my friend will accept at least this amendment.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): I wish to say a few words in favour of this amendment. The desire of the Indians to have a part of this national institution reserved for Nationals should not be regarded as anything unnatural. It is quite possible that Britishers when they are in India do behave as Indians in their broader outlook but there is no gainsaying the fact that there are times when the interests of Indians and Europeans resident in India clash and though we would like to think that in future such things will not happen that should not blind us to the possibilities. It is for this reason, Sir, that we wanted to have some provision in the Act whereby at least a majority of the voting strength should remain unimpaired in the hands of Indians. For this reason, Sir, we brought forward many amendments in the Joint Select Committee but with which I am not going to deal. One which I described in my note of dissent was that we should have two kinds of shares, one of Rs. 100 which should be available to Indians and the other of Rs. 500 which should be available to all without restriction. I would have divided the capital, Sir, into two parts but although they would have been equal parts the voting rights of the Indians would have been more than those of the Europeans. I might be asked how I justify such an anomaly, that a shareholder of Rs. 500 should have the same amount of voting power as a shareholder of Rs. 100. But I find the Imperial Bank of India has at the moment this anomaly in its constitution. Shareholders who have paid only Rs. 125 for their quarter shares have the same voting power as a fully-paid shareholder. If my Honourable colleague wishes to know what precedent we have got he will find in several American States many banks—

THE HONOURABLE THE PRESIDENT: Will you kindly confine yourself to the amendment before the House?

THE HONOURABLE MR. HOSSAIN IMAM: I just want to remind the House that we wanted to do this thing and that thing and as we failed to come in by the back door we are coming in by the front door. This, Sir, leaves 25 per cent. of the voting rights to be held by non-Nationals and preferably by Britishers. Considering the numerical strength of the Britishers, I think it is more than generous for us to give them 25 per cent. shares. Even taking into account their wealth, I think it is not niggardly in any way. It gives them about their share, if not a little more. For these two reasons, Sir, I support this amendment and recommend it for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I sincerely trust that this House will not support an amendment conceived in these terms. It is a very wide question and I myself have no doubt that the arrangements for

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\*Speech not corrected by the Honourable Member.

the initial alteration of voting power, the limitation of amount and the distribution throughout India will in effect mean that much more than 75 per cent. of the shares will be held by people who satisfy the most rigid definition of Indian National. At the same time, there is a very important principle at stake, a principle which is not only inherent in the present constitutional discussions but which is of the utmost importance if India is to develop in the future as it should, and that is that the European British subjects resident in India, who have loyally co-operated in the development of constitutional reforms in India, should be regarded as on the same footing as Indians in India itself. That, Sir, is the basis not only on which this Bill has been framed but the basis on which the whole of the constitutional discussions are progressing and I feel, Sir, that it would be disastrous to cut into that imperial conception in any way. The Honourable Mr. Mehrotra pointed out that he did not so much object to British subjects but that under sub-clause (3)(c) companies, even though entirely foreign, could obtain shares. That undoubtedly, Sir, is a difficulty; it was discussed in Joint Committee but we found in practice that it was not practicable to exclude foreign companies without excluding companies altogether and after careful discussion we came to the conclusion that it would be an unnecessarily drastic step to exclude companies altogether merely because of the very distant possibility that foreign companies might combine to acquire shares in the Reserve Bank. In the Joint Committee we made a comment to the effect that if this remote contingency should eventuate, Government should take steps about it. But that, Sir, is a different question. The actual amendment brings in a definition which is not consistent with the basis on which we are considering this Bill and on which we are considering the whole of the new constitution. I, therefore, Sir, hope that the House will reject the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That to sub-clause (3) of clause 4, the following proviso be added:

'Provided that 75 per cent. shares shall always be held by the Indian Nationals'."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 4 stand part of the Bill."

The Motion was adopted.

Clause 4 was added to the Bill.

Clauses 5, 6 and 7 were added to the Bill. |

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 8 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (1) (a) of clause 8, for the words 'after consideration of the recommendations made' the words 'out of a panel of six men recommended' be substituted."

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Sir, the object of this amendment is to see that the Board of Central Directors may have at least some effective voice in the selection of the Governor and Deputy Governors of the Bank. After all, there will be eight elected and four nominated Directors and we must give them a voice in the selection of the heads with whom they will have to deal. Worded as it is, they will have a right to make recommendations only of some names out of whom the Governor General may or may not choose to select a man. But, as amended by me, if my amendment is accepted, the Governor General shall have to choose out of a panel of six men recommended by the Boards. I have given a wide margin for selection and therefore have fixed the number at six. Out of these six men recommended by the Directors the Governor General may choose to appoint any one whom he likes for the post of Governor and Deputy Governors. I hope the amendment will be accepted by the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is an important issue and it received the detailed consideration which its importance merited both in London and in the Joint Committee. The result which appears in the Bill was acceptable after discussion to a considerable majority both in London and in India and I think that it does represent the best working method of getting what we all desire, namely, the best possible man to be in charge of the executive of the Bank. I am afraid that the suggestion of the mover of the amendment would be in practice quite impracticable. Things, as you are aware from your experience of the Imperial Bank, Sir, are not worked in that way. An important appointment of this character would certainly not be thrust by Government on the Board without previous consultation. It will be known when a Governor is about to retire; there will be informal personal discussions with the various members of the Board and it will be realized who is likely to prove acceptable to both. This is the form in which the procedure is indicated in the Bill. To ask the Board to put up a panel would be not only useless but it would be very invidious. Central Bankers are not so thick on the ground that it would be possible to collect a panel of six possible men willing to be considered and the remaining five would undoubtedly feel hurt at the publicity of having been on the panel and then finally rejected. For these reasons, Sir, I oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (a) of clause 8, for the words 'after consideration of the recommendations made' the words 'out of a panel of six men recommended' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That to sub-clause (1) (a) of clause 8, the following proviso be added:

'Provided that out of three at least one shall always be a native of India'."

The object of this amendment is this. Under the constitution three of the highest and the most important posts will be the Governor and two Deputy Governors. I wanted to move that at least two of these posts should be held by Indians; but considering that no amendment is likely to be carried in this House, I have taken a moderate course. Of course, the Government has pledged itself in the Joint Select Committee, but I do not believe in verbal promises, because the Honourable Sir George Schuster and the Honourable Mr. Taylor are here now, but they may go and others may come and they may not abide by the promise of the present Finance Member or the Finance Secretary. I want to bring it under the Act and so I have moved this very moderate amendment on which the present Government is committed. I hope they will have no objection to bringing this under the Act in order to give some consideration to the wishes of the House.

**THE HONOURABLE MR. J. B. TAYLOR:** Sir, I must oppose this amendment. The question was discussed in the Joint Committee and I think that it will save time if I read the comments of the Joint Committee on it:

"Many of us wished to add a provision that of the three highest posts thus created (*viz.*, the Governor and two Deputy Governors) one at least should be an Indian. We have, however, been informed that the official Members in charge of the Bill are prepared to give a definite assurance in the Legislature that the Government will take account of our representations and that it will be its policy in making the first appointments and thereafter that at least one of the three shall be a qualified Indian. We are satisfied with this assurance".

I trust that the House will also be satisfied. I disregard the charitable assumption that official undertakings made to the Legislature are purely personal to the individual incumbents of the offices, and ask the House not to bring in a provision of this sort in an actual statutory measure. It is obviously undesirable that words of this nature should appear when in effect what is required can be obtained without them. I therefore ask that the amendment may be opposed.

**THE HONOURABLE SAIYID RAZA ALI** (United Provinces: Nominated Non-Official): Sir, this is the consideration stage and I would confine myself to a very few remarks indeed. Time, Sir, was when we Indians insisted on reservation of posts and seats. I believe the demand began in 1885 and it lasted generally speaking up to 1905 when, with the change of Government in England, Lord Morley became the Secretary of State for India. The reason why these demands were put forward was that unless a minimum was fixed for Indians they did not succeed in getting those appointments and posts to which they aspired. A great change took place, as the House is aware, with the advent of Lord Morley at Whitehall. The Honourable the mover of the amendment will realize that taking things as they are, we have got three Indians in the Executive Council of the Governor General, generally speaking also we have three Indians in the Council of the Secretary of State and yet no reservation has been made in the Government of India Act about any of those posts going to Indians.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** Are you satisfied with this number?

THE HONOURABLE SAYID RAZA ALI: As a matter of fact that is the fault I have to find with my Honourable friend. Why does he confine himself to one post? I would like all three posts to be held by Indians. The only difference between him and me is that I think we can attain our object sooner by not reserving only one post for Indians. I think he wants the right thing but in a wrong manner. If there is a reservation the effect will be that you will be entitled to have an Indian, but they will not care to give you two Indians.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: On a point of order. I have moved that at least one—

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member will proceed with his speech.

THE HONOURABLE SAYID RAZA ALI: Sir, I have very carefully noted the language of the amendment of my learned friend. My submission is that it is a question no doubt which admits of a difference of opinion but I think the sounder and the better policy would be not to have any reservation, and, instead of aiming at one of these posts going to an Indian, to prepare ourselves for a position when we can rightly ask the Government to have two Indians among these officers or ultimately have Indians for all these three offices. My point is simply this that looking to the manner in which things are moving in India I do not think it would be prudent to insist on reservation of seats for Indians. We can attain our object sooner and better by not having any reservation.

THE HONOURABLE THE PRESIDENT: Amendment moved

"That to sub-clause (1) (a) of clause 8, the following proviso be added:

'Provided that out of three at least one shall always be a native of India'."

The Question is:-

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (1) (b) of clause 8, after the words 'Governor General in Council' the words 'out of whom two shall represent the agriculture and co-operative interests' be inserted."

Sir, the object of this amendment is to make sure that of the four Directors nominated by the Governor General two will represent the co-operative and agricultural interests. It was said in the Committee that the Governor General would have those interests in view in making these appointments and if none of the elected Directors represents agricultural and co-operative interests they will surely bear those interests in mind in making nominations. But, Sir, in India more than 85 per cent. are living on agriculture and we want that the agricultural and co-operative interests should be adequately represented. Therefore, even if one or two elected Directors do represent those interests, though I think their success

in the elections is doubtful, it will be necessary to have at least two out of the four nominated Directors to represent these interests. I hope this amendment will be accepted by the Honourable Mr. Taylor.

THE HONOURABLE MR. J. B. TAYLOR: Sir, this is again a question on which the Joint Committee commented and on which the Honourable Mr. Mehrotra wrote a note of dissent which forms the basis of his present amendment. I would like to read what the Joint Committee said:

"We considered whether any addition should be made to this sub-clause in the form of a direction to the Governor General in Council as to the manner in which he should exercise his power of nomination. We have been assured that it is intended that this power shall be used to ensure that territorial or economic interests which have not secured adequate representation in the elections shall have such inadequacy corrected by this means. We do not consider it appropriate to embody in the statute any specific provision for the fulfilment of this intention, but we consider that in the instrument of instructions to the Governor General a passage should be inserted making it clear that this power should be exercised in the general manner indicated above and in particular to secure adequate representation of the interests of agriculture and co-operative banking if these interests had not secured such representation among the elected directors"

Sir, I think that that recommendation is obviously sound. We do not wish to fetter the discretion of the Governor General in Council in nominating. The object of nomination is to see that any inadequacies in the voting system are corrected. We are creating fresh electorates. We do not know who will be returned by those electorates, and it seems to me that to fetter the discretion of the Governor General in Council in any particular direction may have unforeseen and unfortunate results. The object of securing proper representation for agricultural interests should be fully obtained by the method proposed by the Joint Committee. This amendment is therefore unnecessary and would I submit constitute an unnecessary limitation to the discretion of the Governor General in Council. I therefore oppose it.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (b) of clause 8, after the words 'Governor General in Council' the words 'out of whom two shall represent the agriculture and co-operative interests' be inserted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That to sub-clause (1) (d) of clause 8, the following proviso be added:

'Provided that out of 13 voting directors at least ten shall always be Indian Nationals.'"

The object of this amendment is to secure a majority of votes for Indian Nationals. It is for that reason that I have moved this amendment. As I know the fate of the amendment and as I have seen the fate of other amendments, it is no use advancing any arguments for this or other amendments. I am moving amendments just to record my vote without any more arguments, because that will be wasting the time of the Council.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I should like to say a few words against this amendment. I think that there is an additional disadvantage as regards this particular amendment and that is that we have secured that in practice the shares will be held either by Indian Nationals or by British subjects resident in India and we must assume that the directorate will reflect the composition of the shareholders. It would be impossible in practice to work elections on this method because the shareholders of a particular register could not know what their quota was to be. I oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That to sub-clause (1) (d) of clause 8, the following proviso be added:

'Provided that out of 13 voting directors at least ten shall always be Indian Nationals'."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 8 stand part of the Bill."

The Motion was adopted.

Clause 8 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

That clause 9 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in sub-clause (1) (a) of clause 9, for the word 'five' the word 'ten' be substituted."

The object of this amendment is to increase the number of Directors on the local board from five to ten. As Honourable Members must have seen, the function of these local boards is merely advisory and they have to advise only on matters referred to by the central board or any regulations made by the central board and nothing else. I just want to increase the number on these boards, because the directors of the central boards will be elected from these boards and if there is a larger number of directors it will facilitate representation of all interests. We know that according to the five divisions of India large areas have been combined into one centre and it will not be quite sufficient to have five directors on these boards. I, therefore, Sir, move this amendment.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the numbers on the local board were arrived at after considerable discussion both in London and in India. We considered that five elected members were enough for electoral purposes and that a larger board would be awkward for administrative purposes. In addition, Sir, one of the practical difficulties which I foresee for the new Reserve Bank will be to find a sufficient number of qualified directors or members of the local boards. To increase them unduly would increase the difficulty. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (1) (a) of clause 9, for the word 'five' the word 'ten' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 9 stand part of the Bill."

The Motion was adopted.

Clause 9 was added to the Bill.

Clauses 10, 11 and 12 were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 13 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That for sub-clause (3) of clause 13 the following be substituted, namely:

'(3) The Board shall elect its own Chairman from amongst themselves who shall preside at all meetings and in the event of equality of votes shall have a casting vote or second vote'."

Sir, the object of this amendment is just to bring in the practice that has been followed and is being followed in the Imperial Bank of India Act. There the Board of Directors do elect their own Chairman who presides over meetings and who has in case of equality of votes a second vote; but under this Bill the Governor is to preside over the meetings of the Board and in case of equality of votes he will have a second vote. I do not think it very proper that the Governor, who will be an executive officer of this Board, and whose duty will be only to carry out the directions given by the Board, should preside over the elected and nominated Board of Directors and have larger power than the Board itself. If it has worked very well in the Imperial Bank Act, I see no reason why it should not work well in the Reserve Bank. As my Honourable friend just quoted the practice of the Imperial Bank of India, so I have also quoted its practice and hope if he has accepted one practice there he will accept the other here also.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I must oppose this amendment. It is true that in the Imperial Bank a representative of the shareholders does preside, but, Sir, the Imperial Bank is predominantly a commercial bank which is being even further commercialized and there is no case so far as I know among Central Banks where the Governor does not preside. It obviously makes for more efficient and unified control. I therefore oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That for sub-clause (3) of clause 13 the following be substituted, namely:

'(3) The Board shall elect its own Chairman from amongst themselves who shall preside at all meetings and in the event of equality of votes shall have a casting vote or second vote'."



[Mr. President.]

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 13 stand part of the Bill."

The Motion was adopted.

Clause 13 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 14 stand part of the Bill."

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in sub-clause (3) of clause 14 for the words 'five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares' the following words be substituted, namely:

'five or more shares shall have one vote and on a poll being demanded each shareholder so registered'."

Sir, this is a purely verbal amendment. A change was introduced in the Bill in another place with the intention of making it clear that until a poll was demanded each shareholder only had one vote but that when a poll was demanded he would exercise the same voting rights as in the case of an election. Unfortunately, the amendment which was received from the non-official side was not quite correctly worded and it might be interpreted as meaning that in that event only those who held more than five shares would be allowed to vote at all and that single votes would be eliminated. That was clearly not the intention of the clause; we have therefore corrected it to meet what we think to be the intention of the Legislature in the matter.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, if I intervene it is only to put a question to the Honourable Mr. Taylor—the same question which I put when he moved the first amendment and it is this: If this amendment is carried will the Bill be referred to the Assembly again or not?

THE HONOURABLE THE PRESIDENT: The Honourable Member ought to be aware that if amendments are made in this Bill by this House of course the Bill will have to go back to the Legislative Assembly.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I only asked the question, Sir, because my friend has been telling us that these are purely verbal amendments.

THE HONOURABLE THE PRESIDENT: Whether the amendments are verbal or substantial the Bill has to go back to the other House.

Amendment moved:

"That in sub-clause (3) of clause 14 for the words 'five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares' the following words be substituted, namely:

five or more shares shall have one vote and on a poll being demanded each shareholder so registered'."

The Question is:

"That that amendment be made."

The Motion was adopted.

Clause 14, as amended, was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 15 stand part of the Bill."

THE HONOURABLE RAJ BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That for sub-clause (3) of clause 15 the following be substituted, namely:

'(3) The Governor General in Council will appoint a committee of five persons in the first instance to issue shares, make allotment of shares and carry out elections of Local and Central Boards and as soon as the Boards are completely elected they shall retire automatically'."

According to the scheme of the Bill the Governor General will make nominations of eight Directors who will issue and allot shares and be working as Directors till all the other Directors are elected which will take according to the present scheme four years to get the whole Board elected, that is eight Directors to be elected in four years. I think, Sir, it will be a very long time before the shareholders will have the satisfaction of getting their representatives on the Board and therefore I have put in this amendment. According to this amendment the Government will have the satisfaction of nominating the first Board who will carry out the primary work and later on when the elections are held and the Directors have been elected by the shareholders they will retire automatically. Thus the shareholders will have the satisfaction of their representation on the Board from the very beginning and I hope the amendment will find acceptance from the Government.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, with your permission I wish to intervene in the debate to put in a few points about our difficulties. When we wanted to have a State Bank it was said it would be better for India to have a Shareholders' Bank. But during the critical period when we will have to start work without any previous experience and without any knowledge of the technical departments, Government would create a Board which is wholly nominated and to all intents and purposes a Government Board. Up to the beginning of the second year the proportion of the elected to the nominated members will be two to ten. At the beginning of the third year there will be four elected members to eight nominated. At the beginning of the fourth year there will be equal numbers and at the beginning of the fifth year there will be the majority of the members elected. So that in the first critical period when we will be on our trial, when it will be seen whether the Reserve Bank is working satisfactorily or not as a condition precedent to the new reforms, we will be having a State Bank, if not in word at least in deed.

[Mr. Hossain Imam.]

We, Sir, would not have minded it; we would rather have welcomed it. It is a step forward in the right direction. But our trouble arises when we consider that all this camouflage has been made to deprive none others but the Indians of their rights. While the Government is irresponsible to the Legislature it will have the right to nominate those in whose hands our destinies are going to be placed but as soon as it is feared that Indians will come in to their own and will have—not a real power but at least—the shadow of power, at once this power will be taken away and control will be vested in the hands of people who have not tried it. There is no advantage in having a Board created now which will carry on work for five years. The only utility of the Board was to allot shares and for that purpose this proposition that a committee should be formed which will retire automatically after doing its work would have some real transfer of power and would have allowed Indians, elected Indians, to have some sort of control. Would it not be strange, Sir, that if the nominated members of the Government do not let things go smoothly, the whole of non-official India should be taken to task and responsibility in the centre refused? It is a wrong principle. Responsibility is placed on the people of India to work it successfully. But those who will control its destinies are not allowed to be elected by the people of India. The Local Boards will be formed at once after the shares have been allotted and therefore there will be no difficulty in electing the Central Board. There is another aspect which we wished to place before the Joint Committee. The practice will grow up of transferring shares from one register to another. For instance, suppose a firm has got a branch in Calcutta as well as Bombay. In one year we will have the elections in Bombay and in another year in Calcutta according to the present plan. All the shares held in Bombay by an important firm may be transferred to its branch in Calcutta. This is a real danger and in effect it will mean that the elections will be controlled by a coterie of important firms. All the important interests and industries in Calcutta and Bombay can interchange their shares; and they can influence the elections in Madras and Rangoon also which are near by. This will create an anomalous position that people with the same shares will exercise a voting right in two places simply because of transfer of shares from one register to another.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): What about clause 56?

THE HONOURABLE MR. HOSSAIN IMAM: It will be a real transfer to all intents and purposes. No one knows better than my Honourable friend himself how the big firms in Calcutta could get any number of assistants—hundreds of them—in whose name the shares can be transferred and it will be held by them *benami*. As soon as the work is finished it will be transferred back. This sort of thing will not come under the proviso to clause 56. My Honourable friend Mr. Taylor also said when we wanted to have 200 shares restriction that people will get hold of *benamidars* to hold the shares. That is the real danger. Unless the elections are held simultaneously in all parts of India this transferring of shares from one register to another will go on and it will have a very bad effect on the elections. Therefore, Sir, I support this amendment.

**THE HONOURABLE MR. J. B. TAYLOR:** Sir, I have two objections to this amendment, one technical and the other of substance. As regards the technical point, the apparent intention of the amendment is that the object of the Committee is to constitute the Board, and not to function as the Board except in certain specified matters and therefore the Bank will not be able to function at all until the elections have been held and until the new shareholders have been vested with those shares and held them for six months. That would involve very considerable delay. Secondly, Sir, Government accepted an amendment in another place agreeing that a Committee consisting of two elected Members of the Assembly and one elected Member of the Council of State to be elected by the non-official Members of the respective Houses should be associated with the Central Board for the purpose of making public issue of shares and looking after the first allotment of shares. This is provided in the proviso to clause 4 (5). Therefore, there will be a Committee of the Legislature associated with the original issue and allotment.

As regards the danger pointed out by the Honourable Mr. Hossain Imam, I do not think that it will, like the other dangers which Members on the other side have been raising, amount to anything in practice because of the fundamental fact on which I have reiterated here this morning and on several other occasions, namely, the very wide distribution of the shares and the allotment of the voting power. In practice, as anybody who has experience of any Bank will know, it is essential that there should be continuity in the Directorate. If there are general elections and an entirely new body comes in, all continuity is lost and a difficult task is thrown on the Executive to instil old ideas on matters of ordinary procedure into the new board. In the Imperial Bank, Sir, the experience is that it is ordinarily only after some twelve months that a nominated Director finds that he is really sufficiently acquainted with the technique of the business to take a useful part in the discussions. It is essential, therefore, that there should be continuity. Also, Sir, in the Joint Committee, Government accepted a modification of the original proposals so as to secure a more even flow of election and also to secure that there will be full popular representation at an earlier date than was originally contemplated. We had hoped that the modifications which are now embodied in the Bill would have met with general acceptance. I do not think, Sir, that the other criticism that there will be a surge of shares running from one centre to another is of any practical validity because of the limitation of voting power and the residential qualification. If it should have any practical validity, it will be simple enough for the Legislature in the future to take measures to combat it. But at this stage I think that it would be very inadvisable to depart from something which will have a practical good effect merely because of some fancied possible danger. I therefore oppose the amendment.

**THE HONOURABLE THE PRESIDENT:** Amendment moved:

"That for sub-clause (3) of clause 15 the following be substituted, namely:

'(3) The Governor General in Council will appoint a committee of five persons in the first instance to issue shares, make allotment of shares and carry out elections of Local and Central Boards and as soon as the Boards are completely elected they shall retire automatically.'"

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I beg to move:

"That in sub-clause (4) of clause 15 for the word 'registers' where it first occurs the word 'register' be substituted."

Sir, this is purely a verbal misprint which has to be corrected.

The Motion was adopted.

Clause 15, as amended, was added to the Bill.

Clause 16 was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 17 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I beg to move:

"That in sub-clause (2) (a) of clause 17 after the words 'scheduled bank' the words 'or a Provincial Co-operative Bank' be inserted."

As the Honourable Members of this House are aware, certain facilities have been given to co-operative institutions, especially Provincial Co-operative Banks. In this sub-clause certain business, that is, the purchase, sale and re-discount of bills of exchange and promissory notes, drawn on and payable in India and arising out of *bona fide* commercial or trade transactions bearing two or more good signatures, can be conducted if one of the signatories is a scheduled bank. I want to insert here the Provincial Co-operative Bank also. The object is that if a Provincial Co-operative Bank is a signatory, these transactions can be held. The Provincial Co-operative Bank should also have the advantage of purchase, sale and rediscount of bills of exchange, etc., if it wants to do so. This is a very simple amendment and I hope Government will accept it.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the reason why Provincial Co-operative Banks are not included in this particular sub-section is a simple one. Special facilities are granted to Co-operative Banks in the matter of agricultural credit. The Co-operative Banks, though they will have to furnish certain returns, will be exempt from the liabilities of Scheduled Banks. They will not have to make a compulsory deposit, and for that reason it was felt that their special facilities should be confined merely to the special object for which Co-operative Banks are primarily designed, that is to say, agricultural credit. Co-operative Banks are therefore given facilities in sub-clause (2) (b) and it will be seen that that sub-clause is very widely worded and includes bills

"drawn or issued for the purpose of financing seasonal agricultural operations or the marketing of crops, and maturing within nine months from the date of such purchase or rediscount, exclusive of days of grace."

The wording is very wide and includes all sorts of agricultural operations. In this connection, Sir, the Honourable Mr Hossain Imam yesterday said that hypothecation had been excluded from the Bill. I do not know to what he was referring because I cannot recollect any such exclusion and it seems to me that these words are so widely—

THE HONOURABLE MR. HOSSAIN IMAM: In clause 18 as it appeared in the original Bill.

THE HONOURABLE MR. J. B. TAYLOR: I am sorry, Sir. I thought that he was referring to clause 17. Clause 18 is only to be used on exceptional occasions. But, Sir, as regards this particular sub-clause, the powers granted to Co-operative Societies are already very wide with reference to their main function, which is agricultural credit, and we do not consider that it would be fair to extend special privileges to them in matters in which they will come into more direct competition with Scheduled Banks when they are not subject to the liabilities to which those Banks are being subjected.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in sub-clause (2) (a) of clause 17 after the words 'scheduled bank' the words 'or a Provincial Co-operative Bank' be inserted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 17 stand part of the Bill."

The Motion was adopted

Clause 17 was added to the Bill.

Clauses 18 to 39, inclusive, were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 40 stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I beg to move:

"That clause 40 be omitted."

THE HONOURABLE THE PRESIDENT: I disallow this amendment because it has the effect of a negative vote only. The Honourable Member can speak on the clause but the amendment cannot be moved.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I rise to oppose this clause. The Government regards this as one of the fundamental clauses, as they have said many times in the Joint Select Committee as well as in the other House. On our side we also regard it as most detrimental to the interests of India. If there is going to be any obligation on the Reserve Bank to sell sterling at a rate not below—

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that there is another amendment to the same effect by the Honourable Mr. Banerjee, and in fact I ought not to have allowed him to speak on this subject at this stage because he would get the opportunity to speak when the Honourable Mr. Banerjee moves his amendment. I therefore trust he will curtail his remarks considerably having been permitted to start his speech.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, I will abide by your suggestion and close my remarks very shortly. We have received representations in the Joint Select Committee from all sections in India, agricultural, commercial and other interests, and there is practical unanimity that so long as Government makes this compulsory selling of sterling at a price fixed by them, India is to lose very much. Agriculturists and business people have suffered greatly. I do not know what interest the Government is thinking of when in spite of pressure from all sides they keep up this ratio. If, as I was going to propose, there is no mention about this in the Reserve Bank Bill, the result will be that this Bank will not be obliged to sell sterling at the rate fixed in the Bill and sterling will find its own level. That is our only object. I do not know whether it should be 1s. 8d. or 1s. or 14d. It may be anything, but we are of opinion that it should find its own level and that will be in the interests of India. As long as the Government does not revise this policy, India will lose heavily as it has been losing in the past.

THE HONOURABLE THE PRESIDENT: If you go on like this you may not catch my eye later on.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Very well, Sir, with these remarks I oppose this clause.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I should like to speak on clauses 40 and 41 together.

THE HONOURABLE THE PRESIDENT: I would advise you to confine yourself to clause 40 only.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: This amendment is moved to bring back India to the exchange level which—.

THE HONOURABLE THE PRESIDENT: You will first read your amendment.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Sir, I beg to move:

“That in clause 40 for the words ‘one shilling and five pence’ the words ‘one shilling and three pence’ be substituted.”

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that he has referred to this matter very exhaustively in his speech yesterday and I trust he will be as brief as possible.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I will be brief, Sir. In clause 41—

THE HONOURABLE THE PRESIDENT: I have already given you my ruling.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** Sir, this amendment is moved to bring back India to the exchange level which existed for about a quarter of a century and helped

**I.P.M.** India to advance on the road of economic prosperity. The advocates of a higher ratio are not to be found except in the ranks of the Government Members, Europeans and Indians, Hindus and Muslims, industrialists and the agriculturists all have joined issue and with united voice demanded a devaluation. The only people who could possibly object to devaluation are the people with fixed income like the Government servants, because increased prices will reduce their savings. But if they consider for a moment that the increased prices will still be lower than the 1929 level they ought to be consoled. I do not wish to elaborate my point as this question has been ventilated in the Press and vehemently supported in several public meetings. To bring home to this Honourable House the advantages of lower exchange I would just cite the example of Japan which has flooded the market of the world with cheap goods and is now the most prosperous country as far as industrial activity is concerned.

**\*THE HONOURABLE MR. HOSSAIN IMAM:** Sir, I wish to oppose the Motion about clause 40. I am not opposing the amendment moved by my Honourable colleague Mr. Banerjee. My own standpoint is that this Reserve Bank is not really a suitable place to fix the exchange ratio. I should like to remind the House that in doing this we will be following in the footsteps of the Government of Great Britain. At the present moment the Bank of England is under no obligation to sell gold at any fixed price. They are under obligation to purchase and in a similar manner I would support clause 41 but oppose clause 40. Yesterday my Honourable colleague, the Finance Secretary, twitted me about stable money and said that nowhere in the central banks you find existence of this. I quite agree. But there is no stable money at the present moment. But the next best thing is planned money and that is the thing which both Great Britain and the United States are trying to establish. Although we may not be so advanced as England we wish to have the same right of having a planned money. At the present moment the pound sterling has no value except the promise of the Bank of England to give back in different denomination of notes. We can go and ask for exchange of five pound notes and they will give five notes of one pound. There is no backing. There is neither gold nor exchange. It is well known, Sir, that in the older conception of exchange there used to be either gold or exchange backing, but the new conception of having some sort of uniform rate of prices is emerging out of this catastrophe and we wish that we should have the same right to manage our currency to the best advantage of India without being bothered to attach it to the tail of sterling. Therefore I oppose clause 40.

**THE HONOURABLE MR. J. B. TAYLOR:** Sir, I presume that I will be in order in speaking both to the amendment and to the clause itself?

**THE HONOURABLE THE PRESIDENT:** Certainly.

**THE HONOURABLE MR. J. B. TAYLOR:** First of all, Sir, as regards the amendment, I think that very little need be said. I gather that there is not even unity on the opposition benches as to the desirability of

*\*Speech not corrected by the Honourable Member.*



[Mr. J. B. Taylor.]

substituting 1s. 6d. by 1s. 4d. and that difference of opinion is merely a pale reflection of the much wider difference of opinion that exists in the country. I therefore do not think that I need waste time on this particular amendment except to point out that that it is of course incorrect to say that the amendment proposed is to restore the rate which is said to have given India so much economic prosperity over the quarter century before the war. Sir, our exchange is already nearly 50 per cent. below that level measured in terms of gold. We are on a sterling standard and what my Honourable friend is proposing is something which, good or bad, is entirely different from the pre-war standard based on gold. That, Sir, is recognized even by those who attack Government's general policy and I think that the view of those who oppose us is more correctly represented by the Honourable Mr. Hossain Imam.

Sir, I do not wish to go over the whole ground again, but I would point out that the deletion of these clauses will leave a lacuna in the Bill which will totally wreck it. The whole object of the creation of a Reserve Bank is to centralize the control of currency and credit by bringing them together. In other words, the Reserve Bank when it is considering the question of providing finance for the marketing of India's crops will have to decide how far that credit will be supplied against internal bills and how far by the method which we at present follow of buying sterling from the exchange banks and creating currency against that sterling. If the bank is to be precluded from dealing in sterling in that way, its whole basis drops out. It cannot safely give credit merely against internal business. It must recognise the facts of the situation, which is that the bulk of India's crops for which finance is required are for export and we must therefore correlate our internal credit with our external exchange. In other words, the omission of this clause would make the Bill quite unworkable. I did not intend, Sir, to twit the Honourable Mr. Hossain Imam on his suggestions about stable money. When the world currencies are in such a state of chaos it is not for anybody to twit anybody who is thinking out new theories, because I think the one conclusive fact which is emerging is that we will never in the future be the same as in the past. But that does not mean that we are to do nothing until the future is stable. If so, we may wait indefinitely. What we must do is to create an organization now on the existing state of affairs, not on a vague and hypothetical basis which may or may not come into existence in the future, because we do not know how the future will develop; but by the creation of a Reserve Bank we shall be better prepared to meet the future as it comes. That, I think, is the answer to any proposal to impose on the Bank at this stage any hypothetical scheme of keeping money stable. I therefore for these two reasons oppose the amendment and I also oppose the direct negative. In other words, I propose that the clause do stand as it is.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in clause 40 for the words 'one shilling and five pence' the words 'one shilling and three pence' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE THE PRESIDENT: The Question then is:

"That clause 40 stand part of the Bill."

The Motion was adopted.

Clause 40 was added to the Bill.

Clauses 41 to 47, inclusive, were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That clause 48 stand part of the Bill."

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in sub-clause (2) of clause 48 for the figures '44' the figures '47' be substituted."

This is a purely consequential amendment due to the introduction of several other clauses in the Bill.

The Motion was adopted.

Clause 48, as amended, was added to the Bill.

Clauses 49 to 61, inclusive, were added to the Bill.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Third Schedule stand part of the Bill."

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That in the Third Schedule to the Bill:

- (1) in paragraph 2 in the fifth line for the word 'ten' the word 'five' be substituted;
- (2) in paragraph 2 in the sixth line for the words and figures 'first 250 crores' the words and figures 'first 100 crores' be substituted;
- (3) in paragraph 3 in the third line for the words 'fifteen years' the words 'ten years' be substituted;
- (4) in paragraph 3 in clause (a) for the words 'five years' the words 'three years' be substituted;
- (5) in paragraph 3 in clause (b) for the words 'five years' the words 'three years' be substituted; and
- (6) in paragraph 3 in clause (c) for the words 'five years' the words 'four years' be substituted."

Sir, the terms offered to the Imperial Bank are very much on the side of generosity which it has not justified by its deeds, and are practically the same as were offered in 1927-28 in spite of the fact that five years have elapsed and the Bank has done more both in the way of establishing its reputation and transacting business.

Sir, when the first agreement with the Imperial Bank was made in 1920 it was only for ten years. Under that agreement the Imperial Bank was pledged to open 100 branches. It has done so. There is no obligation

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

on the Government to do anything more for the Imperial Bank. Then, Sir, it has exceeded the agreement by two years and taken more advantage. Now, it would have been in the fitness of things to call for tenders from other established banks of the first class and see what terms they had to offer.

Let us now examine what the Imperial Bank has done for India, and then we will discuss the question, Sir. It has totally refused to make advances on immovable properties and has failed hopelessly to satisfy public expectations in the way of developing a bill market in India; it has not provided adequate finance to industry and agriculture; it has practically withdrawn its facilities to the co-operative institutions and failed to develop banking capital in the country. India is an agricultural country and it was but proper to expect that a *quasi*-government bank which had all their resources at its disposal, will do its best to render every possible help. In support of this argument I shall quote two sentences from the Central Banking Inquiry Committee's Report on page 143:

"The policy of the Imperial Bank of India in regard to the grant of financial assistance to some of the provincial and central co-operative banks seems of late to have undergone a definite change and it is stated that it shows today a much smaller measure of readiness to help them than it used to do in the past. We consider that free remittance of funds for co-operative purposes is of the utmost importance to the co-operative movement and that no attempt should be made to curtail the privileges under the rules of the Government of India in this matter".

Sir, that is how the Imperial Bank has treated the co-operative movement which alone is meant for the betterment of the conditions of the agriculturist, who as I said occupy the foremost position in India. If the Imperial Bank has curtailed its account with the co-operative banks and is not going to advance money to the agriculturist as well as to the zamindar, the question is what it has done for the country for which these favourable terms have again before offered to it? When the first agreement was made for ten years, why is there any reason for making the second agreement for 15 years? I say it should not be made for more than ten years and if the terms were acceptable in 1927-28 there is no reason why they should not be acceptable today. Therefore, Sir, I move this amendment for the acceptance of the House.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I think that a good deal of the Honourable Member's speech would have been more suitably directed to clause 45 of the Bill which deals with the question of entering into an agreement with the Imperial Bank at all. He said nothing when we were considering that section. This schedule merely deals with the terms of remuneration and I shall therefore confine myself strictly to the amendment so far as it concerns that schedule.

Sir, the terms to be given to the Imperial Bank have naturally formed the subject of very careful consideration by Government. An elaborate memorandum was put before the Joint Committee detailing at considerable length the actual work which the Imperial Bank did and the cost of that work. It seems to me it is a wrong attitude to stand on the strictly legal idea that because the first term of agreement with the Imperial Bank was merely for ten years there is therefore no obligation to subsidise them in any way for the large number of branches which they have created in accordance with that agreement. Sir, the proper way to look on this

question is that these branches were created for the development of the banking habit of the country and they have proved very successful in that direction. If we withdraw that subsidy, as these branches do not pay, we will not be in a position to object to the Imperial Bank closing them down to the great detriment of the country. The terms have been worked out so as to cover not only the cost to the Bank of doing Government work but also to include a steadily diminishing subsidy towards the loss on these branches. They were examined by the Joint Committee in the presence of representatives of the Imperial Bank, and though the terms were provisionally approved by the Joint Committee, the Government were asked by the Committee to refer the figures to the Auditor General to conduct a further enquiry. An officer of his department in consultation with an officer of the Imperial Bank did actually go through the books of one branch and examined the general basis on which the figures were calculated and the Auditor General made a report which was quoted in another place confirming the fairness of the bargain that had been struck, as being in the interests of both the parties. In fact he expressed his view that Government had made a very good bargain. I submit, Sir, that the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra has advanced no arguments to show that the rate is excessive or that the basis of the calculations are wrong though he had all the figures before him. I, therefore, consider that he has made out no case and that the amendment should be rejected.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information, Sir. Will the Honourable Member tell us what is the estimated amount that will be paid to the Imperial Bank under this Schedule? What is the turnover that he expects?

THE HONOURABLE MR. J. B. TAYLOR: Sir, I am afraid that I have not the figures with me. They were all put before the Joint Committee and I submit that this is a detailed matter in which this House can be suitably guided by the recommendations of the Joint Committee.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in the Third Schedule to the Bill:

- (1) in paragraph 2 in the fifth line for the word 'ten' the word 'five' be substituted;
- (2) in paragraph 2 in the sixth line for the words and figures 'first 250 crores' the words and figures 'first 100 crores' be substituted;
- (3) in paragraph 3 in the third line for the words 'fifteen years' the words 'ten years' be substituted;
- (4) in paragraph 3 in clause (a) for the words 'five years' the words 'three years' be substituted;
- (5) in paragraph 3 in clause (b) for the words 'five years' the words 'three years' be substituted; and
- (6) in paragraph 3 in clause (c) for the words 'five years' the words 'four years' be substituted."

The Question is:

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in the Third Schedule for the figures '1933' wherever they occur the figures '1934' be substituted."

The Motion was adopted.

The Third Schedule, as amended, was added to the Bill.

The Fourth Schedule was added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in the Fifth Schedule for the figures '1933' the figures '1934' be substituted."

The Motion was adopted.

The Fifth Schedule, as amended, was added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That in sub-clause (f) of clause 1 for the figures '1933' the figures '1934' be substituted."

The Motion was adopted.

Clause 1, as amended, was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That the Bill to constitute a Reserve Bank of India, as passed by the Legislative Assembly, and as amended by the Council of State, be passed."

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I think I should not record my silent vote on this Motion and therefore I rise to speak on the salient features of this Bill. I will obey your suggestion of not repeating the arguments that have been made up till now both during the time of the general discussion and on the amendments. But some of them unfortunately will have to be repeated and I crave your indulgence for that purpose. The conditions laid down in the White Paper for the establishment of a Reserve Bank were four, and the Honourable the Leader of my Party speaking the other day on the general discussion said that two of these were not fulfilled. These are that the budgetary position of India as a whole is not satisfactory and India's normal export surplus is not assured. It may be said that the budgetary position of the Central Government is not faced with difficulty, but my Leader stated facts and figures to show that the budgetary position of the provinces in India is not so satisfactory as the White Paper conditions demand. If these two conditions are not fulfilled the question arises why there should be such a hurry for the establishment of the Reserve Bank. I quite understand the mentality of my countrymen in giving support to this Bill however much they may not like it. They think that they will not get the reforms if no Reserve Bank is established. The gentlemen who went a long way to London and who are supporting this measure are working under a great handicap. They had before them the threat that if they did not lend their support, no reforms would be given. I can therefore quite understand why even though there are certain provisions in this Bill which they do not like, they have lent their support to the measure. I say this

because some gentlemen at least who had supported unanimously Sir Basil Blackett's Bill for a State Bank are now forced to support this Shareholders' Bank Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU: They have become wiser.

THE HONOURABLE SIR HOMI MEHTA: How are they forced? Who forces them?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: I am glad to know that they have become wiser. I am personally not convinced that they have become so.

THE HONOURABLE SIR HOMI MEHTA: That is your opinion.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: I do not think that is merely my opinion.

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member will proceed with his speech.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Well, then, Sir, if it is the intention of the Government to force on us a Bill which has got so many objectionable clauses and on which there is such a difference of opinion, I submit that they should at least have supported some of the amendments which the supporters of the Shareholders' Bank had tabled in the other House, but not only have they not supported those amendments but they have carried their opposition successfully throughout. I do not want to enter into the merits or demerits of a Shareholders' as against a State Bank. The position put before us is that the Government do not want to establish a State Bank because they want to avoid the political influence of Indians; but while they have avoided the political influence of Indians the political influence of England has been introduced into it. I am not an expert in monetary policies. My Honourable friend Sir Homi Mehta may have studied the matter. What I fail to see is how the political influence of the Governor General in Council which one finds in practically every clause of this Bill is going to do good to this country while the political influence of Indians would do harm. I find a clause which debars Members of the Indian Legislature and the Provincial Legislatures from a place in the Bank. If on no other grounds, I should like to oppose the Bill on this ground alone. Men like Sir Homi Mehta, yourself, and others who have dealt with these questions for so many years have been debarred from guiding the policy of the Bank. If you desire to come to the Legislature you cannot act in the Reserve Bank. That is a point which has struck me as a layman. Men like you lead us in this House and in the Provincial Legislatures where monetary policies are concerned, but if you go to the Bank you will be unfit to sit in this House. If you come to this House you cannot go to the Bank. The position is that we are being deprived of the great experience and talent of financiers like you by this clause.

Then, Sir, much has been said on the ratio question. There are arguments in favour of it and against it. Sir Montagu Webb says that the present trouble is not the creation of God but of man. He may be right

[Mr. Vinayak Vithal Kalikar.]

or wrong. As a layman I want to put a straight question. This ratio has been in existence for the last five years. The prices of agricultural produce have gone down to such a level that you cannot even meet the cost of production. The other day my friend Sir Kurma Reddi drew a very graphic picture of the agricultural conditions in Madras. I may assure him that the conditions in my province, the Central Provinces and Berar, which is mainly agricultural, are not better but even worse than in Madras. So, if you have tried this game for five years and still you find that prices have not gone up I should expect you to try other methods, try lowering the ratio for five years and see what would be the result. And if you are not going to do this, naturally the suspicion arises in the minds of people like myself who have not studied the question that when you are adamant against any change there is something wrong.

THE HONOURABLE SIR HOMI MEHTA: The depression is not only confined to India. It is all over the world. Most other countries are in a far worse position than India is in today.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir Montagu Webb says that in certain countries where devaluation has taken place prices have risen. Sir, I do not challenge the correctness of Sir Homi Mehta's statement. I simply submit that some other method should be adopted to increase prices and save agriculturists from rack and ruin. Then, Sir, my Honourable friend Sir Kurma Reddi's suggestion that the Reserve Bank should advance loans to agriculturists to save them from ruin cannot be accepted under the present scheme. Then what will be the position of the agriculturist even if the Reserve Bank be established? The agriculturists will naturally say that they have got nothing from this Bank; their grievances cannot be relieved and no method has been devised to relieve them; and therefore their position will be the same after as before the establishment of this Bank. A suggestion was made and amendments moved in the Lower House about the early establishment of the rural credit department. But that suggestion was not accepted. So that my submission is that even with the Reserve Bank established the position of the agriculturist will not be in any way improved. I, therefore, Sir, as a layman, apart from the various other objectionable features contained in the Bill, cannot find my way to support this Bill and therefore I oppose it.

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The Council then adjourned till Eleven of the Clock on Friday, the 16th February, 1934.

## COUNCIL OF STATE.

*Friday, 16th February, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, which was passed by the Legislative Assembly at its meeting held on the 15th February, 1934.

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### RESERVE BANK OF INDIA BILL—concluded.

THE HONOURABLE THE PRESIDENT: The debate will now resume on the Reserve Bank of India Bill.

\*THE HONOURABLE SAIED MOHAMED PADSHAH SAHIB BAHADUR (Madras Muhammadan): Sir, a central banking institution has come to be a characteristic feature of democratic constitutions. On this account it behoves us to welcome this measure which is intended to establish this kind of institution in the country. Sir, I congratulate the Honourable the Finance Member and the Honourable Finance Secretary for having so carefully prepared and so successfully piloted in the Central Legislature this important Bill which is designed to secure for India financial responsibility without which any form of self-government would be a nullity. Sir, the world has come to recognise that the absence of more stable monetary standards, the lack of co-operation and co-ordination among the different nations in respect of banking activities, have been among the main causes of the present economic troubles. Though owing to the failure of the World Economic Conference the chances for international action have become somewhat remote, it is yet possible to do something so that the various parts of the British Empire might come together and co-operate in respect of banking activities. Sir, at the great world conference those countries of Europe which were on the gold standard did not lose heart but on the initiative and under the leadership of France formed themselves into a group determined to continue on the gold standard. Similarly an effort will be made to devise some scheme by virtue of which the various members of the British Commonwealth might come together and co-operate in the matter of banking. Sir, if this scheme is adopted and if India decides to actively participate in that scheme, it is this measure which will enable India to take the utmost advantage of that scheme.

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\*Speech not corrected by the Honourable Member.



[Saiyed Mohamed Padshah Sahib Bahadur.]

Sir, there have been differences of opinion, and occasionally sharp difference of opinion, in respect of some of the provisions of this Bill, but, Sir, on the main question there has been a perfect unanimity of opinion. All sections in this House have equally realised the necessity of this Central Bank. Therefore, Sir, now that the Bill is going to be passed, I would appeal to all my friends to give this a fair trial. This is a measure which should have been adopted six years back, and now that this is going to be passed I would appeal to all my friends to sink their differences and combine to make this a success. Sir, it would be up to us to show to the world that Indians who purchased the shares of this Bank did not do it merely for the purpose of selling them away for some small profit and that the earning of dividends was not the be all and end all of shareholding, but that on the other hand the larger interests of the nation were perfectly protected and kept before the mind's eye. With these words, I support the motion.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce): Sir, in rising to support this Bill, I should like to say that the entire commercial community which I and my colleagues in this House represent—including the Exchange Banks—are ready to give their fullest co-operation to the new Bank. As a member of the Joint Select Committee, I can give Honourable Members the assurance—if indeed any such assurance were necessary—that the Bill now before us has only been evolved as a result of the most careful and painstaking examination and analysis. As has already been said in the course of the debate, every single clause, and indeed practically every individual sentence, has been subjected to the closest scrutiny throughout the four weeks' hard and conscientious work put in by the Committee. These have, indeed, been given the most searching consideration, and have only passed muster after the majority of us were thoroughly satisfied that they were in every way competent to do so. And so, Sir, I venture to submit that this Bill as it has emerged from the Joint Select Committee and from the other House is a measure in every way worthy of our fullest support, and I am confident that it is a sound one and that it will be found to work successfully and well.

As I have pointed out on a recent occasion elsewhere, the Reserve Bank of India Bill may be said to be Sir George Schuster's swan-song, and surely no man could have wished for a more worthy and impressive one, or one of which any Finance Minister could be more justifiably proud. As we have been reminded, this Bank is one of the greatest transfers of power that has ever been made since the British Government assumed the government of this country. Surely, therefore, to have had such an effective hand in the efficient carrying out of that transfer is an achievement of which Sir George Schuster and his able and deservedly popular lieutenant, Mr. Taylor, may well be proud.

On what has proved to be the two most controversial features of the Bill, namely, the relative merits of a State as opposed to a Shareholders' Bank, and the vexed question of the ratio, I need only say a very few words. In deciding, as this House has done, in favour of a Shareholders' Bank, we are assured of an independent banking authority, as free from political influence as the many carefully designed safeguards the Bill

contains in this direction can make it, and we are confident that this decision will prove to be a wise one. As regards the question of the ratio, I need not attempt to add anything to the telling arguments which have been advanced by the Finance Minister and the Honourable Mr. Taylor against any attempt to alter clauses 40 and 41 of the Bill as they at present stand. As has already been aptly said, no individual action of this nature which any one nation or country can take, can of itself bring back prosperity to that nation or country, otherwise I think we may be perfectly certain that the Government of India would have anticipated the claims of the advocates of the 1s. 4d. or 1s. 2d. exchange by adopting their proposals long ago.

As I have said, Sir, we consider this to be a sound and well balanced Bill, well calculated to bring about the benefits desired, and we accord it our fullest support.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal: Non-Muhammadan): Sir, if at this last stage of the debate I intervene, it is not with the intention of decrying the measure as a whole, nor with the object of joining in the chorus of praise for the Honourable the Finance Member and his colleague who were responsible for bringing about this Bill, for that is a thing which I can safely delegate to better hands, but it is with the intention of pointing out that the Bill as discussed in this House and as passed elsewhere is fraught with so many limitations that it would hardly satisfy the public mind as to its utility to the country as a whole.

We are well aware that the Reserve Bank is a *sine qua non* and not only its establishment but also its proper functioning is a condition precedent for the next set of Reforms. And as such it would seem most meet and proper that we should pass it without the least delay. But we are at the same time afraid that in trying to make the institution free from political influence in India you have made it an institution which will have outside influence, I mean the influence of Whitehall, the London City. It is true that the various political parties of India will have very little influence on the day to day administration of the Bank but, Sir, after all the selection of Governors and Deputy Governors of Banks and the nomination of Directors remain in the hands of the Governor General in Council, which will mean that in the Federal Government the Governor General will make these appointments in exercise of the special responsibilities of safeguarding the credit and finance of the country. For the exercise of these powers, he is answerable to none but the Secretary of State, which will be tantamount to an indirect control by the party politics of England.

Another matter which strikes me is that we find in the Bill an absence of the minimum limit of shares to be held in any particular register. I do not intend to enter into a detailed discussion of the matter, as it has already been dealt with at some length by my Honourable friend Mr. Basu, but would merely point out that the absence of such a limitation would be unfair on the Directors of other registers who have to face a larger number of voters at their election.

[Mr. Satyendra Chandra Ghosh Maulik.]

Then again, there should have been placed certain limits to the shares that can be held by non-nationals. -Because after all unfettered holding of shares by non-nationals would mean, as has been pointed out yesterday by one of my friends of the opposition, an indirect control of the Bank by the British section of the public. If it is desired that the Bank should be free from political influence of any party, and rightly so, then this would be exactly the very thing that we should try to avoid. If the Bank is to be a National Institution, and I hope it is going to be one, it should be also free from non-national political influence. We are taking away from the control of the future popular Finance Ministers the banking and other aspects of finance and want to leave it to a body of experts who would not be left at the whim and caprice of party politics. As you say that the handling of the finance of the country should not be left to ever changing political party, and should be divorced from all party politics to be run on sound financial grounds, so we at the same time do not want that there should be any indirect control of the Bank by the non-nationals whose aims and ideas may not always be for the good of our motherland.

Sir, I do not want to go into that much vexed question over which there is great divergence of opinion, I mean the ratio question. I know, Sir, that this is not the proper time or place where we can settle it for all times to come. It is dependent on various other factors over which this country alone has not much control. The future events will I hope show whether the apprehensions expressed here and elsewhere are well-founded or not. Sir, if the Bank is to function well it is necessary that the public mind should not be exercised over these apprehensions. Let me hope that after all my apprehensions may prove to be ill-timed. However, like many things in nature this Bill is not an unmixed blessing. There are certain good features of the Bill which we appreciate very much. The roping in of indigenous Banks will no doubt bring about in the long run steady financial stability in the country, the benefit of which is too great to be computed. Another thing I find is the creation of a special agricultural credits department. Although it is true that the Bank is not going to give credit on agricultural produce, the agriculturist can get credit from those Banks who advance money on agricultural produce and these Banks in turn can look up to the Reserve Bank for an advance. This will I hope bring some relief to the agriculturist and go a long way towards bringing about a high level of prices in the market for the good of the country in general.

I hope in the working out as well as in the interpretation of these clauses, all these points and defects will be taken into consideration and if possible the defects remedied under the rule-making powers. After all is said and done we are in an experimental stage and it would be only too early to suggest that the Bill will not be beneficial to the country as a whole. The Reserve Bank Bill will be an accomplished fact very soon and I do hope and trust that as we go on working it the light of the experience gained therein will certainly bring about changes in the Bill which will ultimately allay all this distrust and be conducive to the good of India as a whole, and we shall obtain that financial stability and financial Swaraj which we all desire. The Bill is a great move in that direction and I give it my fullest support.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, as an elected representative and a senior Member of the Council of State for Bengal, and as one who has served on the Joint Select Committee which considered this Bill in 1933, I rise to support the Bill with the following observations. Sir, everything that could be said in favour of this Bill has already been said ably and eloquently by my Honourable friend Mr. Taylor in this House and by the Honourable Sir George Schuster in the other. And everything that was said in both the Houses by the Honourable Members was, with equal ability and eloquence, answered by both these Honourable gentlemen who are acknowledged to be the best financial authorities in this country. It now remains for me and for my friends on this side of the House to congratulate both Sir George Schuster and Mr. Taylor for their great achievement which has justly been called the greatest measure of India's financial autonomy or Swaraj. This Bill which is about to become law is not only the most valuable contribution which Sir George Schuster has made and which any Finance Member could possibly have made for the lasting good of this country, but is also a most valuable step which has been taken for the removal of the financial and economic evil under which the world is labouring at present. Sir, I once more congratulate my Honourable friend Mr. Taylor and the Honourable Sir George Schuster and support the third reading of the Bill in the fullest conviction that it is a measure the like of which this country has not seen for at least the last one generation.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan): Sir, I think the House generally will agree with me that the Government deserves our congratulations as also our gratitude for bringing in this Bill. I also wish to congratulate the House in advance, for the indications are that it will pass this Bill. As the Honourable Mr. Taylor said the other day, this Bill is the greatest measure ever passed since the British came into this country. The currency and credit of this country are going to be entrusted into the hands of a body which will be independent not only of the Government but also of political exigencies. Now, Sir, one thing that struck me in connection with this Bill was that there were so few points in controversy, and that is a fact that shows that the Bill has great intrinsic merits. Two questions have been agitating the minds of our countrymen one of which I need touch on. It is the question whether it should be a Shareholders' Bank or a State Bank. A curious situation seems to have developed in this connection. My friend the Honourable Mr. Hossain Inam seemed to be appealing for oligarchy while the bureaucrats seemed to be pleading for democracy. I think, Sir, I am a little obscure and might explain myself further. Bryce in his work on Democracy says that it is the oligarchy that rules in the world and not democracy. Certain people get themselves elected to a Parliament and those who are in a majority constitute a Government, and after they constitute the Government themselves they work just as they like in defiance of the wishes of their constituency. In asking for a State Bank, my friend Mr. Hossain Inam was asking for having a rule of an oligarchy. He probably expects that he will be one of them. As for the Honourable Mr. Taylor, he pleads for democracy. He thinks that a certain element agreeable to his views will be predominant. But I warn him that India is wide awake and that the time is coming.

[Rai Bahadur Promode Chandra Dutt.]

when Indians will try to capture this institution. He professes that he likes it and I hope he likes it sincerely and seriously. Sir, I accord to the Bill my heartiest support.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I regret that I cannot support the motion for the passage of this Bill nor join in the chorus of congratulations showered upon the Finance Secretary and the Finance Member. Sir, I can certainly thank them for all the labours they have done in connection with the Joint Select Committee in which they had to spend not only the whole day but several hours at night also in preparing for the next day. We can thank them certainly on that account. Sir, I do not see what is in the Bill that has been discussed in this House and passed in the other House over which we can congratulate the Government. We all know, Sir, that the Bill of 1927-28 which was passed by both Houses but which was given up by the Government was far better than the present one. Sir, I will prove this contention on the floor of the House today. The Bill passed then was in favour of a State Bank and this Bill is for a Shareholders' Bank. In that Bill, Sir, the Directorate was all representative. Every section was to be represented on the Directorate. But in this Bill, time only will show whether the Directors come from a particular community or class or interest—I mean the capitalists—or whether the agriculturists and the representatives of co-operative movements will find adequate representation. Sir, I do not know for what reasons the Government gave an undertaking then and have given it up now. At that time, the then Finance Member Sir Basil Blackett said—

THE HONOURABLE THE PRESIDENT: What are you quoting from?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am quoting from the speech which he made then in the Assembly.

THE HONOURABLE THE PRESIDENT: Are you quoting from the Official Report?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I have not got the Official Report here, but a passage has been quoted here—

THE HONOURABLE THE PRESIDENT: How can you guarantee the accuracy of that passage?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: It has been quoted in one of the journals here.

THE HONOURABLE THE PRESIDENT: Unless you are prepared to quote it from the Official Report I will not permit it.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I will not quote the wording then. He accepted a State

Bank. The Central Banking Enquiry Committee also, which was presided over by Sir B. N. Mitra, an official all his life, recommended in favour of a State Bank.

THE HONOURABLE MR. J. B. TAYLOR: Would the Honourable Member mind quoting the recommendation? There was no recommendation of the Banking Enquiry Committee in favour of a State Bank.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: There is a note from which I understand that the Report was unanimously in favour of a State Bank. If Mr. Taylor will give anything contrary I will accept it and withdraw my remarks.

THE HONOURABLE THE PRESIDENT: It is for you to show. You assert a certain fact and you must be prepared to show its accuracy.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am not quoting exact words, I am just giving the gist.

Then, Sir, so far as the Directors are concerned, I find from the Bill that one Director was to be elected by the Provincial Co-operative Banks. There was a definite provision for that. So far as this Bill is concerned we can only get one by nomination. Then under that Bill 3 Directors were elected by the Indian Legislature and 3 were to be elected from Legislatures of Governor's Provinces, of whom two were to represent Agriculture and one Commerce and Industry. So that all interests were to receive adequate representation. But under the present constitution we do not know whether they will represent all interests or not. Then there are several defects in the Bill owing to which I cannot agree to the motion for passage of the Bill. I will just relate some important ones. Under this Bill the Legislatures will not be able to criticise the actions of the Governor and Directors of the Reserve Bank, that is, they will be immune from the criticism of the Legislature. Then, if the Central Legislature want to amend certain sections of the Bill they cannot do so unless they get permission from Government which I expect will not be given if the amendment does not find favour with them. These are most fundamental defects preventing both these Houses from making comment, criticism or amendment of the Bill. We will have a Finance Minister responsible to the Legislature, but I do not find any place for him in the Reserve Bank which will control currency and credit policy of the country. The Governor General in Council is the only authority mentioned in this Bill and in the Joint Committee we wanted it made clear as to whether that expression included the future Finance Minister or not, but could not get any satisfactory answer. I think it is very necessary that he should have a voice in the nomination of Directors as well as in the control of the policy of the Reserve Bank. Then, Sir, the value of the share has been reduced to Rs. 100, but the voting strength has been kept at 5 shares. Therefore those of the agricultural and middle classes who will purchase less than 5 shares will have no vote. On the other hand there is no limit to the purchase of shares, and if capitalists for the sake of just an investment yielding 5 to 6 per cent. want to obtain further shares they can raise the value of the shares by a few rupees and purchase most of them from those who have been allotted a few in the first instance and thus acquire voting strength. Another most important defect is that no limit has been fixed

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

that the majority of the shares should be held by nationals. Any Company incorporated in India can purchase any number of shares and control the financial policy of this country. We do not grudge this in the case of Britishers, but there is no limit to the holdings of non-Britishers and we certainly protest most strongly against that. Then, Sir, in the 1927-28 Bill I find that the Governor—

THE HONOURABLE THE PRESIDENT: We have had enough of the old Bill which has been buried long ago. Will the Honourable Member now confine his remarks to the Bill before the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am just making comparisons and showing that that was a far better Bill than this.

THE HONOURABLE THE PRESIDENT: That will not help the Council in any way. Will you kindly proceed with your observations on the present Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, the posts of Governor and Deputy Governor are very important, and for the three such posts in the present Bill there is no provision at all for giving at least one to an Indian. Of the three, two at least ought to be held by Indians.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I do not like to interrupt, but that statement is also incorrect. I would like him to say which particular Bill he is referring to.

THE HONOURABLE THE PRESIDENT: I know, the Honourable Member has made many incorrect statements.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I am quoting from the Bill of 1927-28. Under the present Bill eight Directors will be elected, but they will not be elected all at once. It will take four years to complete the full election of eight Directors. In the first three years there would in a way be a Government majority on the Board of Directors. The number of the Local Boards has been fixed at five. I am of opinion that it is inadequate and in such a large area it is not possible for all interests to be represented even on the Local Boards from which the Directors of the Central Board will be elected.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: On a point of order, Sir, the Honourable Member might have placed these points before the Joint Select Committee.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: My Honourable colleague here says that it would have been better if I had placed these facts before the Joint Select Committee. I may assure him that we did so, but we were defeated as we were in a minority.

Sir, there is a statutory provision for 1s. 6d. ratio in this Bill. All sections of the country from the agriculturist to the commercial are unanimous in saying that it is harmful to the interests of India and they want that the hands of the Directors of the Reserve Bank should not be fettered with the insertion of this clause here. Let the ratio find its own level and let the Directors do as best as they think in the interests of India; but with clauses 40 and 41 the Directors will have no option but to abide by and carry out the policy which has been so much found fault with. The terms of the Imperial Bank also have been given on a liberal scale.

THE HONOURABLE SIR HOMI MEHTA: We are not discussing the Imperial Bank just now.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: The terms are given in the Reserve Bank Bill and they are exactly the same as in the 1928 Bill. Since then 5 years have elapsed and all obligations of the agreement are over and two years have exceeded, but still we find that more liberal terms have been given than the first contract which was made in 1920. That contract was only for 10 years, and now we are going to have a contract for 15 years. As regards the details of the working of the Imperial Bank I shall defer my remarks till that Bill is before us. It is quite sufficient here to submit that the terms are much more liberal than we wanted. My friend Mr. Taylor said yesterday that they are based on certain calculations. I do not know how far those calculations are right. The Joint Select Committee wanted that they should be thoroughly scrutinised by the Auditor General and a report submitted to it. Since then, Sir, I have not found any report of the Auditor General as to whether they have been scrutinised and whether they are correct or not. The report may have been made, but I have not seen it. If the figures are correct, I have no quarrel on the point; but still I think that the question ought to have been thrown open to all the indigenous banks which are working on sound financial position and tenders ought to have been invited. After all at places where there are no branches of the Imperial Bank some such arrangement will have to be made with other banks, and if that arrangement is feasible at one place, why should it not be feasible at other places? If according to that arrangement we are to gain something, why should we give preference to the Imperial Bank? Sir, with these remarks, I am sorry to oppose the motion for the passage of this Bill.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, coming from Madras, I wish to give expression to the sense of satisfaction and gratification felt in that province in seeing that this Bill has reached its present stage when it will become law very soon. Sir, I consider that the Bill is a historic one. Many Bills no doubt have been passed in the years before us in this Council and elsewhere, but I believe that there is no other which can compete with this in its aspirations for the welfare of the people of this country. Sir, history now is being written not so much about wars and battles, not so much about the glories of kings, not even about constitutions, but it is indeed now concerned more with the economic development of various countries and with their prosperity and in fact with the way in which people could be fed on a higher standard than at present. Sir, the war which was believed to be a war to see that there was no more war has



[Sir Kurma Venkata Reddi.]

failed in that object, but it has taught one great lesson to humanity. It is this, that unless the entire world has combined, until all humanity feels that it is all one race, the human race, there will be no salvation in this world of ours, whatever be the reasons which have caused this present state of affairs. Now, Sir, as I said on a previous occasion, I believe that this Bill places before us a machinery which if properly used might achieve for India her proper place in the monetary system of the world. Sir, it has been asked, what has this Bill done? We are told even that the Bills of 1927 and 1928 were better than this. Sir, I do not wish to enter into a controversy, nor do I wish to answer questions that have been raised, but it would be enough to say that every objection that was raised against the Bills of 1927 and 1928 was considered by 3 responsible bodies or even 4, including the Central Banking Enquiry Committee, the London Committee, the Joint Committee of the two Houses on which the Members of this House were represented and in the two Houses. Sir, those defects have been remedied. But there are some who still believe there are more defects. All that I would say is this, that it would be impossible to be free from defects of some kind or other. After all, human intelligence and human ingenuity have their own limitations, and all that we can say is that if there are really defects in this Bill we have not yet been able to be satisfied with the reasons that have been given to show that there are defects. If there are defects, experience is bound to disclose them and it will be for the bank itself to see that those defects are cured. Now, Sir, I think my Honourable friend was wrong in thinking that we will have no power to revise this Bill at any time. That is a mistaken impression, Sir. No Legislature can bind its posterity. The future House will be at perfect liberty, whenever occasion arises, when the need is felt, to see that those defects are removed by legislation. I would only answer one more question, Sir, one to which I have referred, namely, the question—what has this Bill done? I am surprised that at this late stage of the discussions on this Bill any Member of this House should ask that question. What has been provided here? Have we not seen the provisions? Have not the discussions disclosed what future is before us in this matter of the monetary system? The Bill, Sir, as I on previous occasions have pointed out, makes provision for correlating currency and credit, a thing which we have not got at present. There is a divorce between currency and credit. And here is an agency provided to bring them together. At what cost is Government parting with its power of note issue, entrusting it to a body in which there is an elected majority. Then, Sir, this is a Bill which makes provision for a bill market. We have all known to our cost that there has been no bill market created hitherto and consequently that interest could not be controlled. Here then are provisions which will affect us so materially that to say that this Bill has not provided for any good for this country is, I should think, far from correct. Then, Sir, it can issue currency on special terms whenever an emergency arises. I am not aware that the existing law provides for such a contingency.

THE HONOURABLE MR. HOSSAIN IMAM: There is a provision for 12 crores emergency currency.

THE HONOURABLE SIR KURMA VENKATA REDDI: And how many thousands of it have been spent? If it was being used certainly a bill

market would have come into existence, but the machinery for carrying out the existing provision is so hemmed in that it was impossible for the provision to come into effect at all. That is why I say there is at present no provision. Sir, this Bill and this Bank can maintain the international value of the rupee and, Sir, as the lender of last resort the Bank will be taking upon itself a heavy responsibility in that it cannot refuse to lend to any eligible borrower. I should think, Sir, that these are matters which would have satisfied anyone who has got the good of his country at heart. I do not mean to say that Honourable Members who oppose are not honest in their purpose. But let me assure them that this Bill is bound to improve not only our financial condition but also add to our material progress in a very great measure.

Sir, when I say all this I do not in the least mean to say that everything will happen to ensure the prosperity of the country. All that I mean is that a machinery has been provided which if properly worked and utilised to its fullest capacity is bound to increase the prosperity of this land and to give us a place in the monetary system of the world. I said, Sir, that this is a historic Bill and may I take this opportunity of congratulating those who are responsible for sponsoring it on the fact that their names will pass into history. With these words, Sir, I support this Bill.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, but for the speech of my friend Rai Bahadur Lala Mathura Prasad Mehrotra I should have thought that the controversy about this Bill was over. The battle was fought very valiantly, very courageously and very boldly by the Opposition in all the stages of the Bill. As a matter of fact, I thought, when amendment after amendment was moved and lost in this House yesterday, that the battle had been taken to the last ditch, but now I find that there are some more last ditches. However, Sir, if I may have the temerity to do so, I congratulate the Opposition for the fight that they put up in all the stages of the Bill. I do not want to refer to what happened in the Joint Select Committee but I think I should be permitted to praise where praise is due, that is, to the Government Members on the Select Committee, for the patience, suavity and unflinching courtesy which they showed to the members of the Select Committee day after day, week after week, when some of us nagged them, if I may say so, with elementary economic and financial questions. Sir, the Bill will be passed into law in a very few moments' time. As has been said by Sir Kurma Reddi, I also consider this to be a historic Bill. This will mean the economic emancipation of the country if it is properly worked and transference of large powers to the people of India. And if it is not properly worked, I think it will be in the power of the Legislature to make it work properly. The Bank that will be set up by this piece of legislation should be considered not as a money-making machine but as a national institution, an institution which will give us that freedom in our financial affairs as prevails in other parts of the world where they have Central Banks working. I think, Sir, now that the Bill has practically passed into law, I think it behoves the non-official Members of this House and the other House, as also the leaders of the country, to raise a tearing propaganda to see that the Reserve Bank shares should be taken up by everybody who has the means to pay Rs. 500 and be a voter in the Reserve Bank electorate. By this means alone, Sir, if this propaganda is waged and successfully waged, I am sure the national character of the Bank will be preserved. And this duty, I

[Mr. Bijay Kumar Basu.]

think, should be performed with the greatest speed and with convincing arguments by all the non-official Members of the Legislature as well as the leaders of the country.

Then, Sir, although some of us did not see eye to eye with the Government members in many of the details of the Bill, yet I am sure that we all worked for the same end according to our own lights and the end that I mean is the establishment of financial stability in the country. There is also, Sir, a very onerous duty which has been cast on the Government by this Bill at least in its primary stage, namely, the selection of a Governor and two Deputy Governors for the Bank and also of the first Directorate. I am sure the persons responsible for the selection of the officers of the Bank will take into account the important responsibility attached to the appointments, and also the fact that people who have sympathy with this country and its people should become the first officials of this Bank so that when this Bill is worked with sympathy and with the idea of promoting the financial welfare of this country and that alone, I think there will be very little for my friends in the Opposition to cavil at in the working of the Bank and the results that will be achieved. But on the other hand, if people are chosen who are mere experts and automatons without imagination they would not be able to bring that human sympathy into their work which is absolutely necessary for the successful working of an Act like this. The same remarks apply

12 Noon. to the choice of the first Directorate and I have no doubt in my mind that the authorities responsible for the selection of these members of the Directorate would select such as will comply with the ideas that I have just given expression to. Sir, I have every reason to believe that the Bill as it is emerging from the Legislatures today will be a real beneficial piece of legislation to the country and its people, especially to the agricultural masses which are now groaning under the heavy burden of debts which they have absolutely no means of re-paying. If the working of this Bank brings relief to even a fractional part of those teeming millions of agriculturists I think it will have achieved its purpose. I have therefore, Sir, absolutely no hesitation in supporting the passage of the Bill and also hope that the Bill will be worked with that human sympathy which is necessary to make this Bill beneficial to the country.

(The Honourable Mr. Hossain Imam then rose in his place.)

THE HONOURABLE THE PRESIDENT: Do you also wish to give your blessings to the Bill?

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): I will take a few minutes, Sir. Mr. President, we are all very grateful to you for the indulgence you have shown us in allowing us to speak fully both at the second reading and the third reading. I do not wish to encroach further on your indulgence. I simply wish to say a few words to clear the position why we are opposed to this measure. Originally I had intended to reply in some detail to the snappings from the Central Benches but now I shall confine myself to a few remarks. I want to reply to one or two points but I will not go into detail. First of all I

wish to say a few words about the gallant Knight from Bombay. He was very vehement in stating that there are no advantages in depreciating the currency and instead of putting forward arguments against him I would like to quote a few facts and figures. I am quoting the export figures of three countries, the United States, Great Britain and Japan—the difference between 1931 and 1932. The exports of the United States between 1931 and 1932 declined by 33·3 per cent., the exports of Great Britain in the same period declined by 8·1 per cent. while the export trade of Japan during the same period rose by 23·6 per cent. The United States remained on gold, Great Britain went off the gold but did not depreciate sufficiently and Japan went wholeheartedly for it. Then, Sir, my Honourable colleague from Bombay was very vehement and said that if the experiment which the Roosevelt Government has taken now, the National Recovery Act and other things, had been taken by a Finance Member in India, he would have been recalled the next day and India would not have stood the strain for five minutes. I am quoting from his speech. That reminds me of a proverb which is current in rural India that if there is a woman who shows more love for a child than its mother, then be sure she is a witch who wishes to harm the child. If the solicitude of Englishmen for the welfare of India is more than that of the American Government for its people, then I have nothing further to say. It would be a blessing if we find that Englishmen are more careful of our interests than the Government of a free country like the United States of their country. You see every day measure after measure being brought forward in the Congress which are being passed with an overwhelming majority thus showing the complete confidence which the Roosevelt Government enjoys in its own country. If that treatment is not good for India, that shows exactly what our masters are up to, whether they are working in the interests of India or adversely to those interests. The learned Doctor of Bombay asks us to put our faith in the nostrums of Dr. Schuster in preference to others who are talked of as quacks. But the mere fact that a faculty of doctors are calling them quacks will not make them quacks. A Harley Street specialist will remain like that, and if Montagu Norman and others believe in having planned money, I am not going to take the panacea prescribed by Dr. Schuster. Sir, I should like to make clear that the reason why we are objecting to this Bill is not that it creates a Directorate with an elected majority. Our reading of the affair is that it is neither a Shareholders' Bank nor a Directors' Bank. It is a Governor's Bank. He is all in all and the most powerful man who will work it. That is the custom in the world. I do not say that the Government of India has introduced any innovation. It is practically the custom in the world that the personality of the Managing Governor counts and here too it is he who will count. But there is this difference. In the Bank of England there is a Committee meeting almost every day and as all the Directors and the Managing Governor live in one and the same city, they can always consult each other even informally, but here in India, on account of the magnitude of immensity of its area, this will be impossible. We admit that. There was a possibility that all his external actions should be taken in consultation with the Local Committee which exists at the present moment under the Imperial Bank. But even that has not been allowed to us. The provisions of clause 18 are quite clear on this point. I would not be divulging the secrets of the Select Committee, how we fought over this question of stopping the emergency powers from flowing into the hands of the Managing Governor himself. In the former

[Mr. Hossain Imam.]

Bill—and here I should like to say that we should not very much particularise about these Bills, because there are half a dozen Bills in addition to this seventh Bill which makes the Act. There was the 1927 original Bill, the Bill out of the Select Committee, then the 1928 Bill, then the original 1933 Bill, then the Select Committee Bill, and then the Assembly Bill and the seventh Bill which will become the Act is the Bill as amended by us. So, there are so many Bills. The last one is the Act. So we must say exactly which Bill we mean. Perhaps my Honourable colleague was quoting from the Bill as reported by the Select Committee of 1927 when my Honourable friend the Finance Secretary called him to task. Sir, we wanted that the emergency powers under clause 18 should either remain with the Central Board or if it was impossible to do it, that at least the Local Committee should have that power. Even that was denied to us. The emergency powers are the real criterion of the successful working of a Reserve Bank. If there are no emergencies, the day to day working is almost the same whether the controlling authority is the Government Department or a Bank. I may point out that our colleague from Madras was under some misapprehension when he thought that emergency currency was large. The House is aware that emergency currencies were issued to the Imperial Bank for two or three years, and in the end the Finance Department made a very good innovation; as it was impossible to get bills they allowed them to transfer Government securities for the time being and then gave them credit facilities, and they functioned exactly in the manner in this respect as a Reserve Bank would function, even with the prohibition of a higher rate of interests which was a condition precedent to the issue of emergency currency. Now, Sir, as far as this Bill is concerned, I will join with the nominated Member from Calcutta in saying that we were very thankful to the Honourable Chairman of the Committee for his courtesy and accommodating attitude in all matters which did not involve essential issues and principles. He was always ready to accept our suggestions and accommodate us, but as soon as the stumbling blocks in which Whitehall was interested came up we found we were fighting not our Chairman, who may even have had some sympathy with us, but another party whom we knew. And I can say this that even in our fight against that outside authority we had, if not support from our Chairman, at least his sympathy on many occasions. Sir, this Bill in its preamble states that it is a temporary measure, but in the Bill itself no legislative sanction to its temporary nature has been given. We expected that the Government would make its temporary nature more apparent in the Bill itself, for instance, when they accepted the amendment that the Reserve Bank will report to Government the time when in its opinion it would be suitable to have a definite standard of value. At least there ought to have been a provision that as soon as this report is received by the Governor General he will introduce an amending Act. That would have gone a long way to satisfy the demand of India. We are afraid, Sir, that this is an intentional omission. I said the other day that this legislative body cannot be bound by the action of its predecessors. But, Sir, there is a supreme controlling authority, I mean the British Parliament. In the Government of India Act we find that in all legislative matters the Indian Legislature is not a sovereign body; it is a subordinate body and as such it is bound by the laws framed for its constitution. In this respect we have the stumbling block that no financial measure can be brought in the Indian Legislature without the sanction

of the Governor General. It is this stumbling block we wished to get over by making a provision in the Act that it should come up for revision after the lapse of a certain time. Even in that we failed in the Select Committee and in the Assembly too we failed. That would have been some assurance to us that we were going to have a square deal from the Government.

Now, Sir, as regards the cost, the Honourable Finance Secretary did not like to give any facts and figures by which we could examine whether it was a correct estimate or not. He simply confined himself to saying that the reason for the different estimates was the creation or non-creation of a reserve fund. Besides that we know that it will cost us more money than at present in addition to the expenditure which we incur now on account of the currency and issue department. There is the expenditure which the Reserve Bank will pay to the Imperial Bank in the shape of charges for doing Government business. At present we are paying nothing for Government business being done by the Imperial Bank. But we would be told that we have to keep a certain amount of reserve with the Imperial Bank. The Imperial Bank will still be able to utilize a good deal of that money for its own purposes, though officially they will not be able to utilize it, as Agents of the Reserve Bank they will always be carrying funds from one centre to another, and so for days and days together they will be having Reserve Bank balances with them. Then we have to consider that the Provincial Governments at present have to pay nothing. By this Act we will be saddling the Provincial Governments with some expenditure which will be more than one-eighth of one per cent. on the turn-over, as is given in this Bill. That will mean additional expenditure to the provinces. We being residuary shareholders of the Reserve Bank all the outgoings will in the end affect our pockets, I mean the pockets of the Government of India. Now, Sir, it is really surprising that a section of the House which has always been loud in its praise of Government should now find it incumbent upon itself to condemn the Finance Department after years and years of successful carrying on of the onerous duty of the Issue Department. It is I think a little tactless on the part of the Central Members to come out and praise the new system, bow to the rising sun and say derogatory things about the setting sun. We, Sir, are not like that. We appreciate—

**THE HONOURABLE THE PRESIDENT:** This is not the time for a general tirade against Government. You will have ample opportunity when the Budget discussion comes on. Will you please confine yourself to the Bill before the Council.

**THE HONOURABLE MR. HOSSAIN IMAM:** I shall finish up in five minutes. In the Bill, Sir, we find that the obligation on the Bank to maintain a stable exchange is very onerous. It would be better, as I said in my first speech, if more external assets are transferred in this connection. I should like to know what the Honourable Finance Secretary proposes, whether our credit balances standing in the name of the Secretary of State will be transferred outright to the bigger Bank as external assets or whether they will be kept back and treated as Government of India balances in the shape of sterling and in the shape of rupees. That is one point on which I should like to know the decision of the Finance Department. Then, Sir, as regards the general provisions in Chapter IV, we were anxious that a special reduced rate should be introduced to facilitate

[Mr. Hossain Imam.]

agricultural credit. No legislative provision has been made in the Act. We find that the Bill transfers power to an authority unknown, whether it will be predominantly European, predominantly industrialists or whether it will be by chance neutral consisting of all; but no provision has been made to give representation to that overwhelming majority, the agriculturists, who form 80 per cent. of the population, for their due share of representation. For these reasons, we do not find our way to support the measure.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I am thankful to the House for the almost unanimous chorus of approval with which they have greeted the passing of this measure. From the opposition benches, Sir, there have been criticisms but they are criticisms which I should have thought would have been much more appropriate either on the consideration motion or on amendments. They raise numerous points with which I think that it would be out of place for me to deal here. That does not mean, Sir, that I have no answer to them. In fact, I had some difficulty in keeping my seat and I was not altogether successful in doing so particularly when the Honourable Rai Bahadur Mathura Prasad Mehrotra was giving his description of the history of Reserve Bank legislation in this country. Sir, the comic travesty of history has acquired a certain vogue in recent years. There is a book called "1066 And All That". I think that the Honourable Rai Bahadur might, if he feels in that vein, write "1927 And All That". For instance, Sir, he referred to a Bill which, according to him, passed both Houses, to be finally rejected by Government, but he was really quoting extracts from a Bill put up by the Joint Committee to which all the Government members objected and which never came to fruition in the Legislative Assembly at all.

The Honourable Mr. Hossain Imam also put me various questions. I do not propose to answer them, except those with regard to the position of the Imperial Bank. As we will be proceeding to discuss the Imperial Bank in a few minutes, I should like to say that on the question of their remuneration a very full memorandum was prepared by Government in consultation with the Imperial Bank. There were officials of the Imperial Bank in attendance at the Joint Committee who were willing to answer any questions and give any information which the Joint Committee asked for. These opportunities were fully utilised by the Committee. Thereafter the Committee recommended that the figures should be again scrutinised by the Auditor General and that he should report to the Honourable Finance Member for the information of another place. That report was made. Sir, I submit that the detailed investigation of the remuneration to be given to the Imperial Bank is a matter for the Committee stage and not for discussion on the floor of this House and that we ought to accept the view of the Committee that the arrangement is reasonable to both parties. Now, Sir, I do not wish to delay the House, but I am grateful that they have appreciated what the Government have tried to do in this Bill. We have honestly tried to incorporate all non-official amendments which we thought were in the permanent good of India and which would not jeopardise its permanent interests. We still remain absolutely clear in our own mind as regards the desirability of the present frame-work of the Bill. I have discussed on many occasions the question of a State or Shareholders' Bank, but looking at it from the long view, I would just like to leave this House with one final thought.

What is the banking system which has stood up to the storm and stress of the last 10 or 20 years most successfully? The Bank of England. Wherein lies its strength? Its strength lies in the fact that public opinion in England has confidence in it. On all those very difficult matters—and we are obviously going through a period during which monetary theories will be criticised and tested as never before in the past—it is hopeless to attempt to argue on political lines. The curse of politics is that people accept a programme without questioning it *hologus bolus*. I do not wish to criticise the arguments of the Honourable Mr. Hossain Imam now, but I would merely leave it to the good sense of this House to see that there must be another side to it and that questions of this intricacy cannot be discussed in the way ordinary political questions can.

Also, Sir, another supreme disadvantage in bringing these financial questions within the political arena is that people's minds are definitely made up before they begin to discuss them, they begin with a certain bias and if that is the attitude in which the very intricate financial questions of the future in India are to be discussed, then there is no hope for the country. Sir, I consider the greatest advantage of this measure to be the fact that it will I hope remove such questions from the political arena.

Sir, I move.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill to constitute a Reserve Bank of India, as passed by the Legislative Assembly, and as amended by the Council of State, be passed."

The Motion was adopted.

### IMPERIAL BANK OF INDIA (AMENDMENT) BILL.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Sir, this measure is consequential on the Bill which has just passed this House. In that Bill there is provision for the making of an agreement between the Reserve Bank and the Imperial Bank in order that the Imperial Bank may continue to perform upcountry those functions of central banking which it is at present doing so successfully. When the Imperial Bank assumes its new status it will not be desirable that there should be the same Government control over it as at present. That control will be in part diminished and to a certain extent replaced by control by the Reserve Bank. That was the form which the Bill originally took in the Joint Committee. However, Sir, it was considered that even in these changed circumstances it was desirable to retain a certain restricted Government control, because of the important functions which the Imperial Bank will still continue to perform. For that reason the Joint Committee recommended and Government have accepted the continuance first of a liaison officer who will maintain contact between the Imperial Bank and the Reserve Bank and Government and, secondly, the continuance of two nominated non-officials who will replace the present four. This is the only alteration of substance since I first introduced the measure last September. In addition, Sir, opportunity has been taken to effect certain small drafting alterations on legal points where the Imperial Bank had found that the Act of 1920 operated either awkwardly or cumbrously. They are all of a very minor nature; they were carefully discussed in the Joint Committee and I need not mention them in detail.

Sir, I move.



THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA (United Provinces Central: Non-Muhammadan): Sir, if I rise to take part in the consideration of this motion about the Imperial Bank of India, it is just to ventilate the grievances of the agriculturists with regard to their dealings with this Bank and to ask the Government, in view of the statutory concessions which have been conceded, to bring pressure to bear on the authorities of the Imperial Bank to give facilities to the agriculturists of this country. Sir, the Imperial Bank in the past has not been in the practice of advancing loans to the agriculturists on the crops or to the landlords on their immovable properties, even at times when they are in difficulties. The Government may come forward to help them but the Imperial Bank would shut its doors against them all the times which is not proper in this country where the agriculturists represent about 85 per cent. of the population. Sir, for instance, I am told by people coming from Bengal and some other provinces that according to the Acts of these provinces if there is even delay for a day in paying up the land revenue, their properties will be sold by auction. If the Imperial Bank would come to their help at such times and give short term credit, say, for three months even, most of the properties would be saved. Then, Sir, my greatest complaint is against the treatment that the Imperial Bank is meeting to the co-operative movement in the country. They used to give them advances on their pro-notes to a large extent but gradually this has been reduced to an insignificant figure. So far as my province is concerned, no co-operative bank has any facility with the Imperial Bank. Bombay and Madras have certain facilities but these have also been greatly reduced and the Banking Enquiry Committee in its findings has laid great emphasis on the point. Representations were made to the Banking Enquiry Committee from all parts of India and they have also written that the Imperial Bank should revert to its previous policy. Sir, with your permission I will just give one or two quotations from a minute of dissent on the Imperial Bank to show how the Imperial Bank has reduced its facilities to the co-operative institutions in the country.

THE HONOURABLE THE PRESIDENT: All this has nothing to do with the Bill. I have heard you with patience for some time. Will you kindly confine your observations to the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: Sir, as the motion is for consideration, I think I am justified in narrating the grievances against the Bank. As I was just saying, Sir, the Banking Enquiry Committee has also agreed with the representations that were made from the co-operative departments as to the treatment which has been meted out to them by the Imperial Bank. They have said in their report:

"The policy of the Imperial Bank of India in regard to the grant of financial assistance to some of the provincial and central co-operative banks seems of late to have undergone a definite change and it is stated that it shows today a much smaller measure of readiness to help them than it used to do in the past. The ultimate result, therefore, of the action of the Imperial Bank will probably be to make money dearer to the agriculturist. We feel that the change of policy to which we have referred is unfortunate, especially at a time when the co-operative movement is growing in vitality and is extending the scope of its usefulness towards the social and economic uplift of the rural population and when its financial needs are likely to increase rapidly."

This is the recommendation of the Banking Enquiry Committee. So, Sir, I would just request the Government that if they are giving statutory protection to the Imperial Bank after creating this Reserve Bank they are giving statutory protection to two banks at the one and same time and they must force the hands of the Imperial Bank to give all possible facilities to the co-operative banks in the country and by co-operative banks the agriculturist will have the facilities he needs. With these few words I close my observations.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clauses 2 to 20 were added to the Bill.

Clauses 21 to 41 were added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

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#### STATEMENT OF BUSINESS.

THE HONOURABLE MR. G. H. SPENCE (Government of India: Nominated Official): Sir, in the absence of the Honourable the Leader of the House, the Honourable Mr. Hallett had intended to make a statement with regard to the probable course of Government business, but, owing to the rapidity with which the last Bill has been disposed of, it has not been possible for Mr. Hallett either to be in his place, and with your permission I will read the statement which the Honourable the Leader of the House would have made had he been here.

Sir, the list of business for tomorrow is already in the hands of Honourable Members. The Bill which has been laid on the table today will be taken up on Monday next, while Tuesday next, as Honourable Members are aware, has been allotted for the general discussion of the Railway Budget. So far as can be foreseen at present, there will be no Government business for the remaining days of the next week and it is probable, therefore, that the next meeting of the Council after Tuesday next will be on the following Monday, the 26th February, which, as Honourable Members are aware, is a non-official day.

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The Council then adjourned till Eleven of the Clock on Saturday, the 17th February, 1934.



## COUNCIL OF STATE.

Saturday, 17th February, 1934.

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### QUESTION AND ANSWER.

#### AVERAGE PERIOD OF SERVICE OF DIFFERENT ARMS OF THE BRITISH ARMY

36. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (on behalf of the Honourable Mr. Hossain Imam): (a) What is the average period of service of different Arms of the British Army with Colours and in Reserve ?

(b) What is the average number of new recruits drafted to India from England each year and what is their average age ?

(c) What was the amount of the capitation charge paid by India for the years 1931-32 and 1932-33 ?

(d) When was the capitation charge last assessed ?

(e) What will be the reduction under each separate recommendation of the Capitation Tribunal in paragraphs 29, 30 and 31 ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) The periods vary in different branches of the Army, but the average may be taken at about seven years with the Colours and about five years in the Reserve.

(b) The number of men drafted to India this year is 7,648 and their average age is 21 years. This is rather below the figure for the previous year, but it would be impossible without the expenditure of a great deal of time and trouble to arrive at average figures.

(c) and (d). In 1925-26 the capitation payments were fixed provisionally at a lump sum of £1,400,000 for the Army and £111,000 for the Air Force, pending examination of the claims of the Government of India and the counter-claims of the War Office and the Air Ministry as to what the *per capita* rate should be.

(e) I am afraid I cannot give the exact financial effect of the recommendations referred to. The calculations have to be worked out in England and no attempt has been made, so far as I am aware, to assess the result of each of the recommendations separately. The main point, however, is that although an increase in the capitation rate has had to be admitted for the Air Force the claims of the War Office, if accepted, would have come to £2,580,000, whereas the award of the Tribunal has brought the amount to be paid by India to a figure below the provisional sum of £1,400,000 referred to in my answer to parts (c) and (d).

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** With reference to the answer given to part (c) may I ask, Sir, whether the figures for 1931-32 and 1932-33 are not yet available ?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF :** I do not quite understand what the Honourable Member means, Sir. The capitation payment which was arrived at in 1925-26 was a fixed figure. It had nothing to do with the *per capita* rate. It was an agreed upon figure between the two Governments which would obtain until such time as the result of the appeal to the Tribunal is known.

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### PRESENTATION OF THE RAILWAY BUDGET FOR 1934-35.

**THE HONOURABLE SIR GUTHRIE RUSSELL** (Chief Commissioner of Railways) : Sir, I have the honour to present a statement of the estimated revenue and expenditure of the Governor General in Council for the coming year in respect of Railways. As is customary on this occasion, I shall review the results of the last financial year, the present financial year and the prospects of the year which we are about to enter. I cannot claim that the results of this and last year are all that can be desired from the point of view of the taxpayer, but I hope to be able to prove to the satisfaction of the Council that not only are the results of this year likely to be considerably better than of last year but that the prospects for next year are such as to encourage at least a spirit of restrained optimism. There is little doubt that at the moment the outlook in most parts of the world is more hopeful than it has been for some time past. During the past few months the impression I have had from my talks with business men in India and from abroad is that there are better times ahead. No one was prepared to say that we had completely turned the corner of depression but nearly all were agreed that the turn was at least in sight though there might be some set-backs before true prosperity returned. In view of the prospects of at least some revival in trade, not only in India but throughout the world, I trust the Council will agree that there are reasonable grounds for predicting a further progressive rise in Railway earnings during 1934-35. Whether we are justified in doing this, only time can tell ; for, as I have stressed on previous occasions, not only are our earnings susceptible to a change in world conditions, quite independent of anything which may happen in India, but our working expenses may also be seriously affected by events over which we have no control. This has been very forcefully brought to our notice by the recent disastrous earthquake in India, which, we estimate, has done about one crore of damage to Indian Railways. Then again we have had very serious damage done to the protection works of the Hardinge Bridge by floods in the Ganges, the cost of repairing which may amount to as much as 1½ crores.

2. Our actual gross earnings during 1932-33 were 85·62 crores against 86·50 crores forecasted in our revised budget estimate for the year. The decrease on our forecast was entirely due to taking too optimistic a view of our traffic receipts. Actually our estimate of working expenses was practically correct. Let us assume for a moment that the Railways of India are run by a private company. If this were so, after making full allowance for our depreciation fund charges, our net revenue, or profit, would have amounted to 22·68 crores, and this is the amount which, if we were a Board of Directors, we would have had for distribution to our shareholders, and we

could have declared a dividend of about 3 per cent. on our shares—not a bad result in these times. However, as the Council is aware, we are not in the position of a private company, and we have got the liability of fixed interest charges. The result is that there is a loss in working for the year 1932-33 of 10·23 crores. This loss has been met by a temporary loan from the Depreciation Fund, which leaves a balance of about 12 crores in that fund.

3. In placing the budget estimate for 1933-34 before the Council, I estimated our traffic receipts at 88·25 crores and our working expenses, including appropriation to the Depreciation Fund, at 63·10 crores, giving a profit on the analogy of Company-owned Railways, or net earnings, of 25·15 crores. I may say that, up till two or three weeks ago, we had every hope that our anticipations, both of earnings and working expenses, would prove to be correct. Our weekly returns had shown a steady increase in our gross earnings, as compared with last year, and there seemed to be no reason to anticipate that our working expenses would exceed our estimates. About three weeks ago, however, we had a set-back, and our traffic, as compared with last year, for one week dropped by about 8 lakhs. Admittedly, the returns for the following weeks have shown a welcome revival, but this set-back has been a warning that the barometer of railway earnings is not yet set fair, and we have, therefore, considered it advisable to place our earnings for this financial year at half a crore less than our original estimate. This is actually about 2½ crores more than our earnings for the previous year.

4. The increase in this year's earnings has been entirely under goods, and we now expect the receipts from this traffic to be about 3½ crores, or 6 per cent. better than last year. This increase is general to all commodities and it gives an indication that there are fair prospects of a revival in trade. Unfortunately, our passenger earnings do not show the same upward tendency, and we estimate that they will be about 1 crore, or 4 per cent., less than they were last year. I think it may be taken as a generally accepted fact that goods earnings react quicker to a revival of trade than passenger earnings, and there is every hope that, as trade further improves, our passenger earnings, if they do not increase, will at least not tend to decrease further.

5. So much for our earnings. As regards our working expenses, despite the tragedy of the earthquake and the unforeseen and unforeseeable damage to the protection works of the Hardinge Bridge over the Ganges, which I have already referred to, we do not anticipate that our working expenses will differ to any great extent from our budget forecast. But for these unlooked for disasters, we would have expected our working expenses to be slightly lower than our anticipations. As these disasters will not, we hope, be of a recurrent nature, we have, with the approval of the Standing Finance Committee for Railways, decided to debit the cost of the damage caused by the earthquake and the Ganges floods to, in the first instance, the Depreciation Fund and reimburse the Depreciation Fund by annual instalments from Revenue of 15 lakhs per annum. The debit to Revenue will, therefore, be spread over a period of ten years.

6. As I have said, we now anticipate that our gross earnings will be about half a crore less than our expectations and our working expenses about the same as our budget estimate, so that our profit, or net earnings, should fall short by half a crore of our expectations. This will, however, be neutralized by a fall in our interest charges of about the same amount, our final position, therefore, in respect of our profit and loss account, should be as forecasted 12 months ago, namely, a loss, after paying all charges including interest, of 7½ crores. We thus hope to reduce our loss on the year's working as compared

[Sir Guthrie Russell.]

with last year by about 2½ crores. The loss, as in previous years, will be met by a temporary loan from the Depreciation Fund, which, at the end of this financial year, should stand at 11½ crores.

7. As I mentioned at the commencement of my budget speech, we, after weighing up all known factors and taking into account the undoubtedly brighter trade outlook, have come to the conclusion that we can look forward to the coming year with a certain degree of optimism. We, therefore, propose to budget for an increase of 2½ crores, or about 3 per cent., in our gross earnings. I am afraid, however, that an increase in our working expenses is inevitable. Working expenses may be divided into two parts—those which are dependent on the amount of traffic moved, such as cost of coal, water, oil, wages of the running staff, etc.; these automatically fall as traffic decreases. But the larger portion of working expenses does not necessarily decrease with a fall in traffic, and our endeavour has been to reduce these expenses also to an absolute minimum. The Council is aware of certain of the measures we have taken to achieve this object, such as the investigations being carried out by Mr. Pope and his Committee, to mention only one of them; but, as time goes on, avenues of economy become fewer and fewer, and a time must be reached when it would be unwise, and indeed unsafe, to proceed further if we are to keep our property in good order. I do not say for a moment that no further economies can be effected and I can assure the Council that there will be no slowing down of our endeavours, but I do think that the major retrenchments have been achieved. There is one thing that I am particularly anxious to avoid, and that is the further block retrenchment of staff. The investigations being carried out at present by the Pope Committee will probably make it necessary for Railways to reduce a certain number of staff, but it is hoped that it will be possible to meet most of these reductions by normal wastage and by the additional staff which will be required if our traffic increases, as we hope. We estimate that our working expenses will be increased by about ½ of a crore, but this will be offset by a further reduction in interest charges on account of the average rate of interest being expected to be still lower than it was this year. We should, therefore, get the full benefit of our anticipated increase in gross earnings, and we hope at the end of next financial year that our loss will be reduced to 5½ crores. If we were in the happy position of being a company, with only ordinary shares and no fixed interest charges, we would, if our anticipations in respect of next year's earnings prove to be correct, be in a position to pay a dividend of about 3½ per cent. on our shares. This would mean that our shares would certainly be standing at par, if not at a premium, which can, I think, be said of a few railway concerns throughout the world. It may be of interest to mention to Honourable Members some of the results of Railways in other parts of the world during the past few years. The gross receipts of the four amalgamated British Railways in 1932 amounted to £165 millions, or £15 millions (8%) less than in 1931 and £42½ millions (21%) less than in 1929. The Canadian Pacific Railways in 1932 earned \$122 millions which was \$18 millions (13%) less than in the previous year and \$86 millions (40%) less than in 1929. The Canadian National Railways earned \$161 millions in 1932, or \$59 millions (19%) less than in 1931 and \$107 millions (40%) less than in 1929. The receipts for the principal Railways in the United States of America were \$3,160 millions in 1932. This was 25% less than in 1931 and 50% less than in 1929. For the German State Railways in 1932 the expenses exceeded their earnings, and their earnings fell off 24% as compared with the year 1931 and 36% as compared with the year 1930.

8. A comparison of our operating ratios with some foreign railways may also be of interest. For the year 1932 the operating ratio on the amalgamated British Railways was 85½ per cent., for the Canadian Pacific Railway 84 per cent., for the Canadian National Railways 96 per cent., for the United States of America Railways 77 per cent. and for the German State Railways 102 per cent. It is not clear from the information in our possession whether these operating ratios are merely for ordinary working expenses, or also include allowance for depreciation. Whichever is the case, the operating ratio of Indian Railways appears favourable. If we only include ordinary working expenses, our operating ratio for the year 1932-33 was 57·3 per cent. or if we include the full appropriation to depreciation fund, it becomes 73·4 per cent. It will be seen that even the higher figure gives a better result than the lowest of the figures I have quoted for foreign railways. I think this is a further proof that India has no need to be pessimistic about the position of her Railways. If our anticipations for this year and the coming year are fulfilled, there will be still further improvement on these figures.

9. I have explained that during the current year there has been a very welcome rise in our goods earnings but that our passenger receipts have fallen off. I think the Council will expect me to say something about the steps which are being taken to counteract this falling off in our passenger earnings. Honourable Members will remember that in my Budget speech last year I said that there were only two ways of increasing gross earnings—either by an increase in rates and fares or by a reduction in these with the object of stimulating traffic. I indicated that in times of depression the scope for increasing rates and fares was limited. Now as to the other method, and from the point of view of the public much the more acceptable one, during the year a large number of minor reductions in passenger fares have been made throughout India and, after mature consideration and consultations with Railway Administrations, the Railway Board have decided to make a large scale experiment by reducing all third class fares on the North Western Railway for distances up to about 460 miles. It is too early yet to say what the result is going to be. For the first ten weeks of the experiment there has been an increase in the number of passengers carried, but this has not been sufficient to meet the reduction in fares. We are still hopeful, however, that the travelling public will take more and more advantage of the cheaper travel offered and give us the additional earnings required to justify the decrease. If the experiment fails and we get no increase in traffic, the North Western Railway stands to lose 45 lakhs in one year. If, however, the experiment should prove to be a success, we shall certainly consider similar reductions on other Railways.

There is one other aspect of passenger traffic that I would like to refer to in passing. During the past few years the Railways of India have endeavoured to get their share of the increasing world tourist traffic. With this object Publicity Bureaux have been established in London and New York. Though it is very difficult indeed to get even an approximate estimate of the traffic that these bring to Indian Railways, our returns show that, year by year, travel in India tends to become more popular. In assessing the value of this work, it must be remembered that, apart from the money spent in railway travelling, every tourist leaves a certain amount of money behind in India, which all goes to help trade and industry. It has been estimated that tourists spend at least 60 lakhs in India annually—by no means a small sum in these depressing times.

Further, though our goods earnings have gone up and though we have no reason to think that the present scale of charges is proving a serious handicap



[Sir Guthrie Russell.]

to trade, we have not omitted to examine cases where we have considered that there was a possibility of increasing traffic and stimulating trade by a reduction in goods rates. To mention a few examples of this, the East Indian Railway have reduced their rates for wheat from the Punjab and United Provinces to Calcutta, the Bombay, Baroda and Central India Railway have reduced their rates for grains from the Punjab *via* Bhatinda, the Bengal Nagpur and Madras and Southern Mahratta Railways have introduced special low rates for rice booked to important consuming centres, and the South Indian Railway have also made appreciable reductions in their rates for rice on their own system and for traffic booked to Ceylon. Though we have been urged by the coal trade to do so, we have not been able to see our way to remove the 15 per cent. surcharge imposed on coal traffic. We estimate that this surcharge has brought us in increased gross earnings of about 65 lakhs during this financial year. There has been a steady increase in our coal traffic in recent months, and during the last few weeks the loading of coal has been exceptionally heavy. It has been suggested that the surcharge has had a serious effect on our long-distance traffic. Such statistics as we have do not quite support this. We are, however, arranging to collect further and more detailed statistics to enable us to make a more comprehensive review of the position. If this indicates that there is some substance in the statements which have been made, we shall certainly seriously consider whether it is possible to relieve our long-distance coal traffic of at least a portion of the surcharge.

10. I shall now turn to our Capital and Depreciation Fund programmes for this year and the coming year. This year's programme can be dismissed in a few words. When we framed our Budget, after allowing for a decrease in stores balances of  $1\frac{1}{2}$  crores, we estimated that we would spend  $3\frac{1}{4}$  crores capital and 6 crores from the Depreciation Fund. Actually we now expect a decrease in stores balances of  $1\frac{1}{2}$  crores and that our net capital expenditure will be 25 lakhs. The main reason for this is that certain assets have been scrapped without renewal, resulting in a credit to capital and a debit to the Depreciation Fund. The expenditure from the Depreciation Fund will be as originally estimated, namely, 6 crores.

During the year the Ava Bridge over the Irrawaddy in Burma has been completed. Good progress has also been made on the re-construction of the Nerbudda Bridge on the Bombay, Baroda and Central India Railway, as also the Chambal and Sind Bridges on the Great Indian Peninsula Railway. It is expected that the latter two works will be entirely completed early in the coming financial year. Other works have made good progress.

11. Our works programme for the coming year is rather more ambitious than that for this year. We expect that we shall require about 14 crores, of which 70 lakhs will be found by a further reduction in stores balances. If these estimates prove correct, our stores balances will come down to 10 crores at the end of 1934-35. I would like to bring specially to the notice of the Council the progressive decrease that has been in stores balances during the past few years. This has meant unremitting watchfulness on the part of all the officers and staff concerned. I know from personal experience how easy it is for stores balances to increase if there is the least lack of supervision, and I consider that Railway Administrations are due special thanks for what they have done in this direction.

Of the sum of approximately 14 crores of rupees which we expect to spend on works, 867 lakhs will be found from the Depreciation Fund.

12. I do not propose to go into this programme in great detail. Honourable Members will have an opportunity of doing this, if they so desire, immediately at the conclusion of my speech, when they will be placed in possession of the Explanatory Memorandum on the Railway Budget. Generally the programme has been designed to carry out the policy we have adopted of only undertaking such works as are necessary for the keeping in good order of our property. Though this year we have been able to spend a little more on what, I believe, are popularly called "passenger amenities", on these works we propose to spend a total of 38.21 lakhs. From a perusal of questions in this House and also in another place it would appear that the provision of raised platforms is considered one of the most desirable of these amenities. On works of this description we propose to spend just over 3½ lakhs. The main items of expenditure are, however, on track and bridge-works, which from the point of view of the travelling public, may not be of very great interest but which are quite essential if we are to keep pace with the times and give the service which the public have a right to demand. On these works we expect to spend just over 5½ crores. The other main item of expenditure is on the renewal of rolling stock, both coaching and goods. Additions form a very small portion of our expenditure. The total under rolling stock is just over 3 crores. All these works will benefit the trade and industry of India and, we hope, help towards the recovery which appears to have begun.

13. Sir, though the results of the year are considerably better than those of last year, these results have only been obtained by the unremitting watchfulness and devotion to duty of the Agents, officers and staff of the Railways of India. Even in times of prosperity the railwayman's task is not a light one. In times of adversity such as we have been passing through, the strain is even greater. I have no hesitation in saying that this additional strain has been borne cheerfully and ungrudgingly by all. Every one has been prepared to do extra work without additional remuneration. If this had not been so, our results would have been very different from what they are. As I have already mentioned we are particularly anxious to avoid further mass reductions of staff. We have at the present moment got certain surpluses on Railways but it is our hope that, with the brighter prospects ahead of us, we shall, with minor exceptions, be able to carry this small remaining surplus till such time as it can be absorbed by the additional work which must follow an increase in traffic. (Applause.)

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**MOTION FOR THE ELECTION OF TWO NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE TO ADVISE ON SUBJECTS OTHER THAN "INDIANS OVERSEAS—EMIGRATION" AND "HAJ PILGRIMAGE" DEALT WITH IN THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS.**

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member):** Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, two non-official Members to serve on the Standing Committee to advise on subjects other than 'Indians Overseas—Emigration' and 'Haj Pilgrimage' dealt with in the Department of Education, Health and Lands."

**The Motion was adopted.**

**MOTION FOR THE ELECTION OF FOUR NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE ON EMIGRATION.**

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member) : Sir, I move :

“ That this Council do proceed to elect, in such manner as the Honourable the President may direct, four non-official Members to sit on the Standing Committee on Emigration. ”

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT** : With reference to the two Motions which have just been adopted I announce that nominations for the Standing Committee on Emigration and the Standing Committee for the Department of Education, Health and Lands will be received up to 11 A.M. on Tuesday, the 20th February, 1934.

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**ELECTION OF TWO NON-OFFICIAL MUSLIM MEMBERS TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ.**

**THE HONOURABLE THE PRESIDENT** : I have also to inform the Council that the Honourable Khan Bahadur Syed Abdul Hafeez has withdrawn his candidature for the election to the Standing Committee on Pilgrimage to the Hejaz. I therefore declare the following Members to be duly elected to that Committee :

The Honourable Khan Bahadur Chaudri Muhammad Din, and  
The Honourable Mr. Hossain Imam.

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The Council then adjourned till Eleven of the Clock on Monday, the 19th February, 1934.

# COUNCIL OF STATE.

Monday, 19th February, 1934.

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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## QUESTION<sup>a</sup> AND ANSWER.

PROVISION OF RAISED PLATFORM AND LADIES' WAITING ROOM AT SALAR RAILWAY STATION ON THE BANDEL-BARHARWA SECTION, EAST INDIAN RAILWAY.

37. THE HONOURABLE MR. BIJAY KUMAR BASU: (a) Will Government be pleased to state why no raised platform or ladies' waiting room have been provided at the station called "Salar" on the Bandel-Barharwa section of the East Indian Railway?

(b) Has the attention of Government been drawn to this question before?

(c) Is not the passenger traffic at the station Salar almost the heaviest in the Bandel-Barharwa section of the Railway?

(d) Have Government received representations regarding the inconvenience and danger experienced by *purdah* lady passengers, specially Muhammadan ladies in *borkha* (i.e., covered from head to foot), for want of the conveniences referred to above?

(e) Is it not a fact that Salar is an important Muhammadan centre and that a large number of Muhammadan ladies travel from and to the said station?

(f) Do Government intend to have the platform raised and a ladies' waiting room provided in Salar in the near future?

THE HONOURABLE SIR GUTHRIE RUSSELL: Government are not aware of the arrangements at this particular station, but will send a copy of the Honourable Member's question to the Agent, East Indian Railway, in order that he may consider any improvement that is required.

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## INDIAN TARIFF (AMENDMENT) BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I move:

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

Sir, Honourable Members will recollect that in April last year there was passed the Safeguarding of Industries Act. That was a measure

[Mr. T. A. Stewart.]

which was designed to save from extinction those Indian industries which had suffered and were suffering so severely from the competition of imports from Japan. It will also be remembered that it was not possible to take immediate action under the Act. Our treaty obligations forbade it. But nevertheless it was necessary soon after its passage to make sure that when our treaty obligations did permit, we should be in a position to take immediate action. In order to examine the claims of the various industries for protection and for assistance, Dr. Matthai, President of the Tariff Board, and Dr. Meek, Director General of Commercial Intelligence and Statistics, were placed on special duty. There was issued to each applicant for assistance an exhaustive questionnaire which was designed to obtain the fullest possible information regarding the importance and productive capacity of the various Indian industries and to determine the nature and degree of the competition to which they were subjected. The replies to the questionnaire together with all available statistics of prices and imports were examined by the officers on special duty and in due course those officers placed their recommendations before the Government of India. The present Bill represents for the most part the decision taken on their recommendations. When the Safeguarding Act was passed it was, I think, admitted on all sides that there was a grave necessity for helping Indian industries in the way proposed. It may be asked whether that necessity still persists and the answer to the query, I would suggest, is to be found in the statistical statements which were circulated to Honourable Members two days ago. It will be seen from these statements that in practically every industry that is mentioned there has for the period from 1931 to 1933 been a very remarkable increase in imports, an increase which has been accompanied by an equally enormous decrease in import prices. In certain instances, it is true,—for example, in the case of hosiery,—there was a fairly considerable import trade before the depreciation began. But even in that case there has been a most substantial increase in the past three years. In other cases, for example, soap and paints and colours, a trade which was practically non-existent before the depreciation began, has shown a very remarkable and phenomenal rate of increase. And in all cases there has been this tremendous drop in prices. To take two widely differing commodities as examples, in 1931 the c.i.f. price of cotton hosiery undervests was Rs. 3.27 per dozen. In 1933, the c.i.f. price had fallen below Rs. 2. At the opposite extreme one takes the case of umbrellas. In 1931, an umbrella would have cost you Rs. 2 at the port. Today it is on offer at eight annas. These I quote as typical samples which illustrate what has been happening throughout the whole range of commodities that are mentioned in the statistical statements. I think we may take it that the necessity which existed when the Safeguarding of Industries Act was passed is still with us.

Another query, a very pertinent one, I admit, is why when we have on the Statute-book a perfectly good law like the Safeguarding of Industries Act, we have not used it? The answer is this. When the various claims for assistance were under examination by the officers on special duty, there were set on foot negotiations for the conclusion of a fresh trade agreement with Japan. In September last, a Japanese Delegation arrived in Simla and conversations were immediately started. Very early in the course of these conversations it became evident that unless it was found possible to avoid discrimination against Japan in our tariff, there

was very little hope of a successful issue to the negotiations. The consequences of a break-down were not lightly to be disregarded and the possibility of avoiding discrimination was a subject of most anxious and careful consideration. It was finally decided to adopt the device of imposing minimum specific duties. While such duties have equal application to all countries, it was only natural that their *ad valorem* incidence would be heavier on the cheaper imports from Japan than on the more expensive products from other sources. It has, therefore, been found possible by this device of minimum specific duties to avoid using the Safeguarding of Industries Act with its necessary discrimination against Japan and to incorporate the new proposed duties in an ordinary Tariff Amendment Bill. I am afraid, Sir, that it is the inevitable consequence of the complicated nature of our existing Tariff Act that an Amending Bill is a somewhat mystifying document. I trust, however, that the explanatory memorandum which was circulated two days ago has assisted Honourable Members in coming to an understanding of our proposed amendments.

I do not propose, Sir, to discuss item by item the various amendments set forth in the Schedule. If in the course of the debate it should appear that this Schedule still presents difficulties to Honourable Members I shall make what explanation I can. The Bill incorporates, as I said, for the most part the decisions of the Government of India as to the levying of the minimum specific duties which are necessary to safeguard the industries concerned. I would, however, mention two exceptions. Item 7 and Item 16 raise the *ad valorem* duty on cotton and artificial silk mixtures and on cotton fents from the levels of 35 and 25 per cent. to 50 per cent. This is an emergency measure which has been necessitated by the very considerable evasion of the cotton protective duties which has been caused by the substitution for cotton piecegoods of cotton art silk mixtures and cotton fents. The importance of that evasion I shall illustrate by the following figures. Three years ago the total imports of cotton fents from Japan was a matter of 20,000 yards a year. In October the imports were in the neighbourhood of two million yards. I think the necessity for immediate and effective action is obvious. In framing the specific duties that are incorporated in this Bill the Government of India have had in mind certain principles. They have considered that it would be most improper in this Bill to seek to afford to any industry anything by way of substantive protection. Like the Safeguarding Act, this Bill is designed to preserve the existence of Indian industries, not to set up a protective scheme for their development over a period of years. The protective policy of the Government of India is still a policy of discriminating protection and any industry which can make good its claim under the conditions which govern this policy will be given the necessary protection. But this Bill provides no short cut to that end. In the second place, in considering what was the necessary amount of protection or safeguarding I prefer to call it, to be given to the Indian industries the Government of India decided that the object to be aimed at was the restoration of the fair competitive conditions which existed in the period before the depression of the yen. The first half of 1931 when sterling, the yen, and the rupee were all on a gold basis has been taken as a period which may be regarded as normal. Comparison has been made as far as was possible of the prices then prevailing with those now current and a duty has been proposed which will raise present prices to the fair equivalent of the former rate, due allowance being made for price movements in each class of commodities. By this method Indian industries are

[Mr. T. A. Stewart.]

placed in the same position *vis-a-vis* competing countries as they were before the competition became abnormal and severe. It is not claimed that it has been possible to apply this method with mathematical exactitude in each particular case, but the Government of India believe that these proposals provide a reasonable measure of relief to all industries which have demonstrated the necessity for assistance. There has been no attempt to make the duties vindictive or prohibitive and I submit the Bill is a fair compromise which while helping our sorely distressed industries will not do so at the expense of the consumer.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I have heard the speech of my Honourable friend with rapt attention and also gone through the Select Committee's report with minutes of dissent on the Bill. I have failed to see what is the real object behind the Bill. The protection proposed to be given to Indian industries is not enough if really they are to be protected. A particular year, 1930-31, has been selected and an attempt has been made to raise the prices to the level of that year. I do not see why that year has been selected. Vast changes have occurred since then. Many countries have devalued their currencies with consequent price fluctuations in the market. We have also been fighting for the reduction of the ratio from 1s. 6d. to 1s. 4d. or even less, but have not succeeded. That makes a lot of difference and it would have been better if in the Bill the present market prices had been considered instead of prices of 1930-31. Sir, the only object which this Bill may achieve is to get a little more revenue for the Finance Member to balance his budget or meet deficits, as we will see in a few days' time and to give Imperial preference, by the backdoor. No facts about the industries which are proposed to be given protection under the Bill have been supplied to us. We do not know how far these industries are making progress in India and to what extent protection is required. Sir, I do not like to give protection in small bits. I quite appreciate the action of the Government in giving protection to the sugar industry for a definite period of seven years. The result was that a large number of factories sprang up, so much so that I am sure in a year or two India will be self-supporting so far as sugar is concerned. I am absolutely in favour of such protection. Select certain industries, give such protection and see whether capital is coming forward for their extension or not. That is the right way of giving protection if real protection is to be given to Indian industries.

Sir, in the Select Committee report I find a note of dissent by which they also wanted to enhance certain duties, but they could not do so under the constitution and three of the members of the Select Committee have written:

"We regret to observe that it was not open to us in the Select Committee to suggest the enhancement of tariff or include in the Bill new articles which it is our supreme duty to extend protection to under the Safeguarding of Industries Act".

So, Sir, it was up to the Government to select important industries and give enough protection as we in both Houses are not in a position to increase any duty suggested by the Government. We can decrease, but we cannot increase under the present constitution. Then, Sir, I am of opinion that protection must go hand in hand with subsidies. On the

one hand, you give protection by raising tariff walls; on the other hand, if you give certain subsidies to the industry, and it is bound to prosper as quickly as possible. That is what Japan has done and now Japan is meeting world forces in industry.

Sir, there are certain other important industries that have not been included and I would appeal to the Government that they may take them as well as others into their consideration as early as possible. I would suggest that lantern, window glass and sheet glass industries deserve protection from the Government, and I am sure that if proper protection is given they will be able to meet the needs of India. As regards hosiery, I cannot agree, Sir, that with this duty it can face foreign competition. We have got a number of mills here in India and the hosiery industry is also a sort of cottage industry and has been taken up by the middle classes who cannot afford to set up large factories. If this industry is given proper protection, I am sure it will be able to meet the demands of our countrymen and hosiery will not require to be supplied from foreign countries. Then, Sir, with regard to woollen goods, they ought to have included the fabrics made of shoddy or waste wool also, because we find the markets are being flooded with this type of woollen goods, and I fail to see why this has not been taken into consideration.

With these observations, Sir, I would appeal to the Government that if they want to make right use of the Safeguarding of Industries Act they must do it on the lines that I have suggested.

THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR (Bengal: Nominated Non-Official): Sir, to amend the Indian Tariff Act of 1894 is to take a fresh step in the Indian fiscal field. Fiscal policy itself is a subject of great controversy. The general economic theories do not hold good everywhere and they must vary according to local circumstances. In pursuing a policy we have therefore to take note of its effects on separate classes of the people, and can never take a leap in the dark. Protection of indigenous industries is undoubtedly important and necessary, but in threshing out the policy we can on no account ignore the conflicting interests. In a matter of this kind, some sections of the people are called upon to make a sacrifice for the common good of the country, which is not quite appreciable in the beginning. But in times of depression the sacrifice demanded of them may become somewhat difficult. I yield to none in the recognition of our duty towards the growing industries of the country. Who will deny that some protection is necessary at once for particular industries like lead pencils, soap, etc.? But the acute distress that prevails in the country must present to us, laymen as we are, the greatest difficulty in coming to a decision as to the usefulness of increasing the import duties at this hour of the day. Sir, India is a poor country and the standard of living cannot but be very low. We are primarily an agricultural people, and as such when our purchasing power is proverbially low today, the goods necessary for our consumption ought to be as cheap as possible. But are we moving towards the achievement of such an object? In any case, the one question that must come to the fore in a discussion of the tariff policy is the proportion of the prices of primary products as compared to those of manufactured goods. Sir, I find that by the present Bill high-priced competitive articles will not be touched, and only cheap foreign imports, which have helped the poorer section amongst us in the prevailing crisis, will be made to pay the imposed specific duties. Will not our action today produce an additional burden on the indigent consumer? Who can



[Maharaja Jagadish Nath Ray.]

tell me that this raising of duties, be they *ad valorem* or specific, will help the industrialization of the country to any extent whatsoever, and thus pave the way to an economic improvement in the long run? My fear is that the prohibitive cost of manufactured goods may, on the other hand, deny the greatest part of the people the use of some articles of necessity, and the burden on them will be unnecessarily inflicted. While on this point, I am particularly reminded of the fact that some of the minor industries will find it, in spite of the protection, an up-hill task to support themselves owing to some other factors, such as high railway freight, the privileged position of some importing concerns as well as the admittedly defective organization of our economic position. Anyhow, the executive has committed itself and with a high motive. Sir, it is only due to unfair competition from foreign imports that some of our industries have been experiencing that the present measure was mooted. And although the increased duties will bring to the Honourable the Finance Member an additional revenue, estimated from Rs. 20 to Rs. 40 lakhs, revenue is said to be of no consideration in this case. The Tariff Act of 1894 was brought into existence by a big deficit in the Indian budget, and as the present measure of protection is being practically given against abnormal competition of Japan it seems it would have been more appropriate if it could be done under the Safeguarding of Industries Act. The mere avoidance of the Safeguarding Act can never lull the Japanese into inaction. The Honourable Sir George Schuster in a recent speech laid special emphasis on the good of having "special trade agreements". Great Britain also, we hear, concluded some agreements with Scandinavia and some countries of South America. I do not however know if the Japanese delegates were in any way consulted before this measure was launched upon, I am not also aware if any effort was made towards reaching with her any form of agreement in respect of the articles included in the Bill. I hope this measure will not antagonize any foreign nation. Sir, I know that the Indian Fiscal Commission of 1921 were of the opinion that

"a time has come when India is prepared to take advantage of any stimulus applied to her industries",

and I cannot raise my voice against the present policy of the State. Moreover, as I do not consider the new scheme as a totally inordinate one, my faith in the considered judgment of the Honourable the Commerce Member and his able lieutenant leads me to hope that the protection hereby given will result in keeping some industries alive. But as I cannot forget that the influence of raised prices of the goods dealt with today will extend to other commodities also, I should only like to be assured that the policy has been applied with sufficient *discrimination*. And in the end I beg only to remind the authorities of a pregnant sentence, which I remember to have come across in one of Sir J. C. Coyajee's books, that

"protection should have something to protect, and the industry should not be merely in an embryonic stage".

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, the necessity for this Bill is due to the severe competition from Japan which has become a menace to our indigenous industries while it has also incidentally seriously affected imports from Britain which too is a matter of importance and in the interests of India. If I may make a remark in passing in regard to a matter connected with this, I should like to say that the final results of the Government's negotiations with Japan are not

altogether to our liking, but the interests I represent realize that the Government had a difficult task before them and we appreciate that conditions being what they were, they possibly could not have done better, so that in the circumstances we are grateful to them.

Certainly the Bill before us has entailed an enormous amount of extra work in the Commerce Department and our thanks are therefore specially due to the Honourable Sir Joseph Bhore, the Honourable Mr. Stewart, Mr. Hardy and Dr. Meek and to other members of that Department.

The Bill, as amended by the Select Committee, has been little altered by the other House, but I am very glad to see that a deserving industry like enamelled ware is now protected. Government originally proposed the present measure in the original Bill but the Select Committee removed the proposed protection by a majority of one which the Government accepted. It has been explained elsewhere that while Government thought protection was necessary it was a case on the border line and so they gave way to the opinion of the Select Committee. They were however in sympathy with the desire for protection and so they accepted the amendment tabled in another place, which was carried unanimously. This is most satisfactory.

Since the Bill was introduced, hosiery has been given protection by the Tariff Board and the basis of protection on underwear is Rs. 1-8-0 per dozen, but I would ask Government to carefully examine whether this should not be fixed on a pound basis. I am aware that the trade fixes prices on the dozen basis, but the Tariff Board has stated that Japanese undervests weighing 2 lbs. per dozen compete with Indian undervests weighing 3 lbs. a dozen and I understand the Japanese Delegation admitted this. It seems therefore that anything under 12 annas per pound would not be adequate protection and I hope Government will give this their careful consideration. Then there is the case of hosiery fabric in the piece which should be classed with cotton piecegoods and therefore come under the 50 per cent. rate of duty as in the case of woven fabric. The specific duty should be on all fabrics as the light weight fabrics of Japan compete with the heavier goods made in India. In making these remarks I am remembering that the Honourable the Commerce Member stated a few days ago in another place that before he finally makes up his mind he *would* further consider the hosiery question. From this I understand that the Government's present decision under this Bill is not final and that the Commerce Member is still open to conviction. I hope therefore that Honourable Members will support my request to the Government.

Finally, Sir, I would ask the Government not to relax their energies with the passage of this Bill but to continue to study the position of other industries which deserve protection. As everyone knows the Tariff Board procedure is somewhat tedious and cumbersome and I would ask Government to consider whether something could not be done to speed up their method of dealing with cases before them by strengthening their numbers thereby enabling them to form sub-committees for various subjects. This might perhaps permit of the Board, when not otherwise occupied, of itself originating investigations into certain indigenous industries with a view to ascertaining with the least possible delay where protection is necessary.

With these few observations, Sir, I commend the Bill to the favourable consideration of the House.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** (West Bengal: Muhammadan): Sir, as far as I could gather from the lucid speech of my Honourable friend Mr. Stewart opposite, this Bill is intended to restore the

[Mr. Mahmood Suhrawardy.]

old competitive power between Indian articles and foreign articles which prevailed in 1931 owing to the fall in exchange in some countries, notably Japan. Large quantities of articles of the kind described in the schedule have been imported into the country and at prices so low that it is impossible for the indigenous industries to compete with them. Even under the present proposals with the raised duty many of the Japanese articles can be sold at prices below similar Indian articles.

There appear to be two reasons why the Government have adopted this course :

(1) They want to give to the poorest people the advantage of a fairly cheap price, so far as the Indian industry is concerned, owing to the greater desirability of its product it can be sold to the middle classes even if the prices be slightly higher.

(2) In the second place Government probably feel that a straightforward protective tariff is not justified in the absence of impartial enquiry into the conditions of these industries by the Tariff Board.

There is however one minor industry which has run the gauntlet of such an enquiry and that is the hosiery industry the duty under this Bill on hosiery is based on number, *i.e.*, by the dozen.

In the Textile Bill which has been introduced in the other place, this duty is proposed on weight, but the industry has pointed out that the duty is inadequate on either basis. I hope that the question will be further examined before the Textile Bill is taken up for consideration.

Sir, with these observations, I support the Motion for consideration.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I welcome this measure and express my sense of appreciation and thanks to the Honourable Sir Joseph Bhore, the Honourable Mr. Stewart, Mr. Hardy, Dr. Meek, Mr. Matthai and other officers who have piloted this Bill in the other House and through the Department. I am glad that in the introduction of this measure the abnormal delay which usually occurs with the Government in introducing such measures has not taken place. I support what my Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra has said as regards the inadequacy of the protection. I know from a very reliable source, from a friend to whom a very highly placed Japanese official said during the course of an interview, that Japan is determined on dumping its goods in all countries and they will not mind any increase in import duties which any Government might put. He said, "We have subsidies, and we have the power of controlling the exchange". I am sorry that in this new measure Government has not taken the proper safeguard. I told this House when the Textile Protection Bill was being considered some time back that Japan was bent on dumping its goods and that the increase in duty will be overcome either by subsidies or by depreciation of the yen. I also gave an instance of how in Calcutta future contracts for piecegoods were being then made at f.o.r. prices notwithstanding the rumour which existed at that time about the increase in the import duties on textile goods. I therefore request the authorities concerned to let these duties be based upon a certain rate of exchange and upon a certain fixed price of the yen. Let that be incorporated in your Customs order that they should not mind depreciation in the exchange, for import duty purposes a certain fixed rate

for exchange and a fixed rate of subsidy ought to be taken into account when assessing the imported goods. If that is not done, the noble object which lies behind the present measure will be frustrated. The Honourable Maharaja of Dinajpur has observed that it will affect the poor consumers. For the information of the Honourable Maharaja I might say that last year I had an opportunity of travelling over the Continent and of studying to a certain extent the tariff measures of the various continental countries. I will give the instance of Germany where to my surprise I found that the price of sugar locally to the Germans—I mean within the country of Germany—was practically twice the price of sugar at which Germany was exporting to other countries. I asked one of the German industrialists, “This is a novel measure that I have seen in your country. You are charging double the price for sugar in your own country and supplying sugar to other countries at half the price? He said, “We want to encourage our industry and to keep our people employed. We have so many people unemployed already and we do not want to add to their number and in the interests of the people we are practically taxing our own countrymen to encourage the industries of the country.” The same thing is happening in other civilized countries. There the Government takes measures very promptly and they do not waste any time in putting through legislation. The Honourable Mr. Miller has suggested that the duty on hosiery, instead of being on the percentage basis, ought to be on a pound basis. There again, I observe that although I support his suggestion, I consider that even with the suggestion adopted, the difficulty we contemplate will not be overcome. The only real remedy is that the tariff duty ought to be fluctuating and it ought to take into account the fluctuation of the yen and the fluctuation of the subsidy.

With these remarks, Sir, I give my whole-hearted support to the Bill.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, I beg to support this Bill. The very pleasant attitude taken by the Honourable the Leader of the Opposition is sufficient proof that on this Bill at any rate there cannot be two opinions. That this country long remaining agricultural should soon become industrial has been the wish of so many of our people that any measure contributing to advance the industrial welfare of this country would naturally be welcomed in this country.

Sir, the example of Germany has been quoted by the Leader of the Opposition. May I add my experience in South Africa? In South Africa, South African sugar is sold at double the price at which it is sold in England to which it is exported. That would show the interest which the South African Government have been taking in advancing the sugar industry of that country.

Sir, it has been said that some of the articles here mentioned might affect the poor in that they would have to pay a higher price which would be a natural consequence no doubt. But may I point out that so far as many of the articles are concerned, the poorer classes do not use them at all? For instance, such things as cups, saucers, teapots, sugar bowls, jugs, plates or undervests, socks and stockings—these are the kind of articles that we have got here, and I should say that the poorer classes have no need for these—at least in my province. It is the lower middle classes and the middle classes perhaps that would be affected and I am perfectly willing to admit that some sacrifice will have to be made if our desire to see that our country is industrialized is to be achieved. There is,

[Sir Kurma Venkata Reddi.]

however, one point which I should like to place before the Government. The Government are aware, and I need not adduce proofs, of my own earnestness and interest in seeing the industrial development of this country so far as it lies in the power of an individual. In my own humble way I had occasion to pass the first State Aid to Industries Act in my province about the year 1922 or 1923. Sir, if therefore I say something which ought to receive the attention of the Government, it will not be received as criticism but as an appeal to Government. It is this. As has been pointed out, the prices of these articles would naturally rise as soon as this protection is granted. We will take it that this foreign competition would be reduced and articles will rise in price. The question is, how best are we to advance this case of industrialization in this matter when the prices will rise? Unless the people are in a position to pay for them, they will not be able to purchase, and if goods are not purchased, whatever be the measure of protection you may be able to give them, the industry itself is not capable of development. Therefore, the purchasing power of the nation will have to be increased. We know that 75 per cent. or 71 per cent. of the people of this country are agriculturists and we also know their present plight. We know how phenomenally low the prices of agricultural produce are. How will these people with this low price be able to purchase the goods and help these industries? I do not for a moment mean to say that this is a reason why you should not extend this protection. But what I do say is that side by side with the protection given to these industries it is your bounden duty, if you want to save this country, to see that the price of paddy, jute, cotton, wheat and all the produce of the land is likewise increased. It is I believe within the power of this country and it is within the power of our Government to render that help to us. Without that, Sir, this protection will not be of real avail.

With these words, Sir, I support the Bill.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I have heard with rapt attention the speech of my Honourable friend Mr. Stewart and I have also carefully read the speech made by the Commerce Member in the other House in moving reference of this Bill to Select Committee. From those speeches I do not find that the underlying principle in this Bill is to give protection. I will quote a sentence from the speech of the Commerce Member. He said:

"I want to make it clear once again that we are not granting substantive protection by this Bill. We are merely seeking and generally seeking the restoration of competitive conditions to a level which existed when there was no complaint of unfair or abnormal competition".

It is to some extent admitted that this Bill is not meant to give adequate protection to nascent Indian industries but is designed to restore the prices that obtained in 1930-31. I am not one of those who do not want protection at all and are for free trade. I do really desire that nascent Indian industries should be protected and that they should be saved from unfair or cut-throat competition by foreign countries. But this Bill does not provide adequate protection. Let me assume for the sake of argument that protection is really meant to be given to nascent Indian industries by this Bill. If so, according to the complaint of the Honourable Mr. Mehrotra and my Leader, it seems that certain industries which really do deserve protection have not been given protection. From

the Select Committee's report I see that they wanted to include certain industries and to increase the amount of protective duties but they could not do it under the present constitution. So neither the protectionists, nor the industrialists, nor the agriculturists seem to be satisfied with the present Bill. However, something is better than nothing. I could wish the Government had accepted the request made by the members of the Select Committee. The Government say that they want to restore the level of prices prevailing in 1930-31. It is commonly admitted that the prices of manufactured goods to some extent depend on the prices of agricultural produce. Sir Kurma Reddi has told us that prices of agricultural produce have gone down. He has made a very pathetic appeal to Government and I support what he has said that while bringing in measures like this Bill the Government ought to assure the country as a whole that they have also adopted measures to raise the price level of agricultural produce, because on that depends the purchasing power of about 75 per cent. of India's population. But, Sir, that has not been done, or if attempts have been made in that direction they have not been successful. My Honourable friend Sir Kurma Reddi also said that some of the articles included in this list are not required by the poorer classes. I may assure him that in my part of the country the poorer classes do purchase most, I do not say all, of the articles included in this Bill. If the prices of agricultural produce have not gone up and if the purchasing power is as low or lower than it was in 1930-31, then that 75 per cent. of the population who require these articles will have to pay more for them or do without them. So it affects the consuming agricultural population to a great extent.

Sir, the Leader of my Party has quoted an instance from Germany. Conditions in Germany and India are quite different. The purchasing power of the Indian population depends upon the price levels of agricultural produce and for that reason I cannot agree with him that there can be any analogy between the situation in India with that in Germany. I therefore submit that in bringing such measures before this House Government should try to make successful attempts to increase the purchasing power of the people before they introduce such measures.

With these few words, Sir, I support the Motion.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, it is my misfortune to rise in this House and in the midst of a chorus of support to the measure, raise the only discordant voice. But I cannot help it. I have a duty to perform to my constituents and lay the facts before the House and even if it fails to sway the House or the Government at least I shall be exonerated from blame.

The Bill which is before us purports to be a sort of *quasi*-protective Bill. It is not a full-fledged protective Bill inasmuch as it does not satisfy the conditions as laid down by the Indian Fiscal Commission. It is not an ordinary revenue tariff Bill, as no necessity for increasing the tariff within the year has been shown. The fact that many of the items contained in this Bill are those with which we were made familiar last year at the time of the Ottawa Bill makes the whole thing look suspicious. It is feared, Sir, that under the garb of protecting the Indian industry the real aim is to give the articles which were given preference under the Ottawa Agreement a measure of protection against Japan and I would not have said this without having something to substantiate it. My first complaint—

THE HONOURABLE MR. T. A. STEWART: May I ask the Honourable Member, Sir, whether he is aware that the Honourable the Commerce Member made a certain statement in another place? He offered to withdraw the Bill entirely should there be any such general suspicion as the Honourable Mr. Hossain Imam now alleges to exist.

THE HONOURABLE MR. HOSSAIN IMAM: I was not aware of it. However, I shall give proofs; these are not empty words. I have got proofs and I will show you from the Bill itself. In the first place, Sir, this is the old way of the Government; if they do any good they do so with some harm too and make both inter-dependent. If you want to have some good you should be prepared to suffer a little for it and this announcement of the Commerce Member is in keeping with it. We remember, Sir, a very long time ago when the question of the disposal of the surplus of the Government of India was under discussion, the retention of the salt duty and the giving up of the provincial contributions were made conditional to one another. We have always been made to swallow things, and bitter things have been coated with sugar. There is nothing new in what the Government of India is doing now. Sir, as I stated the majority of the things included in this Bill are those in which we have given protection—

THE HONOURABLE THE PRESIDENT: Will the Honourable Member proceed to substantiate his statement?

THE HONOURABLE MR. HOSSAIN IMAM: In this connection I had neither the time nor the papers to judge the items given in this Bill. But one item caught my eye and is found at the end of clause 21 in this Bill. We find that paints are subjected to a specific duty of Rs. 24 per cwt. or 30 per cent. This is given at the end of clause 21. The declared value of Japanese goods which came under this category was Rs. 14.45 and that of English goods Rs. 32.11 per cwt. I am quoting from page 10 of the Memorandum which has been supplied to us—the statistical statement. We were to give a preference under the Ottawa Pact of 10 per cent. only and there was no agreement then as to what will be the prevailing duty. If we were to place a thing under a duty of 100 per cent. then the utmost that England could demand was that there should be only a duty of 90 per cent. on British goods. Here Japanese goods are going to be taxed 166 per cent. while United Kingdom goods will be taxed by 20 per cent. simply because of the fact that an *ad valorem* duty which is absolutely out of keeping with the value of 30 per cent. has also been imposed, 30 per cent. or Rs. 24 per cwt. whichever is higher. There ought to be some relationship between the specific and the *ad valorem* duty. The result of this manipulation is that Rs. 14.45 the declared value plus Rs. 24 specific duty makes it Rs. 38.45 per cwt. as the landed cost. The English goods priced at Rs. 32.11 per cwt. will be taxed by 20 per cent. which will amount to something about Rs. 6.42 per cwt. would also come to the same price of Rs. 38.53. The real aim is to equalize the prices wherever found possible, but there are places, Sir, where even the ingenuity of the Commerce Department could not find any means whereby to make the prices of the things equal. In this connection, Sir, I find that Act XXV of 1932 when it was passed laid down in Item 225 that boots and shoes would be taxed by 30 per cent. or five annas per pair whichever is higher and the preference to the United Kingdom was 20 per cent. or five annas a pair whichever is higher. By this Bill this equalization which existed

In the original Act has been taken away and there is a small amendment which says that in Item 225 for the figure "5" in the fourth column the figure "6" shall be substituted. It has probably escaped the attention of the other younger and more critical House. Sir, we find that there are instances in Act XXV of 1932 in which specific duties have been placed and there the preference has been 10 per cent. of the standard duty. For instance, in Item No. 216, liquors were taxed at Rs. 40 per imperial gallon over the standard rate of duty and the United Kingdom rate of duty was Rs. 36 per imperial gallon. I do not know why it was impossible to lay down a similar rate in this Bill, with 30 per cent. or Rs. 24 per cwt. as standard duty; we might have stated 20 per cent. or Rs. 21.6 per cwt. whichever is higher as preferential duty. This would have been an upright and honourable way of giving preference to Indian industries. Our complaint is that the protection which is proposed to be given to the industries are not given in the scientific manner in which protection ought to be given. Protection to be effective must not be given with one hand and an additional burden placed on the industry by the other. As my Honourable friend, the nominated Member from Madras, has pertinently remarked, the protection should be effective protection and it is necessary that when we give protection to an industry we should try to lessen the cost of all the things which go to make up that industry. Soap is being given protection but the oil which is utilized in the manufacture of soap is being subjected to additional duties. Everywhere the cost of railway freight is going higher and nothing is being done. Enamelware is to be given protection, Sir, and we all welcome it. But why not allow a rebate on the iron and steel used in the manufacture of this hardware. The rational method of giving protection was that in the circumstances in which we are, with reduced income and falling prices, the cost of manufacture should be reduced. That is the scientific method of protecting the goods in a time of falling prices.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: You mean, even by the lowering of wages?

THE HONOURABLE MR. HOSSAIN IMAM: I am not saying that. I gave instances whereby I hope the cost of the industry will be lowered. Sir, the Honourable the Commerce Member wanted that the prices should rise to the level of 1931. May I point out for the information of the House that from September, 1929 to March, 1933, for which I have been able to get figures, I find that the value of our export goods has fallen by 51 per cent. while the fall in the value of the goods which we import is only 27 per cent. The prices of imported goods have not fallen so precipitately as the prices of our produced goods. Then, Sir, the value of the crops, not for the whole of India but for the eight or nine major provinces, has fallen from Rs. 1,018 crores to Rs. 536 crores. this is a reduction of 47 per cent. in value. That shows the reduction in the purchasing power of Indians. Well, Sir, going further, the difference between 1932-33 and 1931-32, the two consecutive years for which I have got figures, I find there has been an actual increase of 5 per cent. in the price of imported goods while there has been a decrease of 15 per cent. in the price of exported goods. The Commerce Department has ample experience that the enhancement of the duties and increase of tariffs have had a bad effect on the income from customs. The goods on which they have increased the tariff in framing the Bill you will find, when we receive



[Mr. Hossain Imam.]

the budget, that there has been a material reduction in the customs yield. Why? Because the capacity of India to purchase has not developed simultaneously. I, Sir, for one would have given my entire support to this measure if the Government had given protection to the industries in a sufficient, scientific manner and had made out a case that the present sacrifice of the consumers will be rewarded in future years by a reduction of the ultimate cost. That is the basic principle of protection, that consumers are asked to bear extra burdens for a few years so that in the coming time and afterwards they might save money. Nothing of the sort has been done. The Safeguarding of Industries Act was passed about a year ago. Ever since that the Commerce Department has been looking at things. They issued questionnaires. They asked the industries to apply for protection. Everything was done. But what are the materials which they have collected so far? We have got these statistical statements which give very scanty information. They do not even give the value of the article. It is stated that one factory produces this much—but how many factories are there? The whole thing has been done in a hurry although there was no cause for hurry. There was ample time. This Bill was published on the 22nd December and from the time the Safeguarding of Industries Act was passed there was quite enough time to collect statistics if they had taken the trouble to do so. I, Sir, find that the only justification of this Bill is that it will put a few lakhs more in the pockets of the Finance Department at a time when they stand sorely in need of it. For this reason, Sir, I do not see my way to give it my wholehearted support.

THE HONOURABLE SIR HOMI MEHTA (Bombay: Non-Muhammadan): Sir, this House has heard various views on this Tariff (Amendment) Bill. Almost all with the exception of my friend the Honourable Mr. Hossain Imam have supported the Bill and said that it was good for India. Now, Sir, what I want to draw the particular attention of this House to is that the encouragement of industries in the country always brings prosperity amongst the agriculturists and I will give my reasons for holding this view. For if an industry prospers, that industry is bound to take more of the agricultural produce, that is the raw material, and certainly that industry is not going to import raw materials from other countries, therefore raw materials of the country are used in a larger proportion than when there are no industries in the country.

THE HONOURABLE MR. HOSSAIN IMAM: What about the imports of cotton in Bombay?

THE HONOURABLE SIR HOMI MEHTA: Sir, if my Honourable friend will not interrupt, I will come to the point. As the Honourable Mr. Hossain Imam has drawn my attention to it, take the instance of cotton as he wants it first. On account of the inroads of Japan at most suicidal prices the industry of the country as far as cotton goods are concerned is absolutely on its death bed. Everybody is aware that numbers of mills have been closed down, and not only closed down but there are no prospective buyers at the most sacrificial prices.

THE HONOURABLE MR. HOSSAIN IMAM: Where?

THE HONOURABLE SIR HOMI MEHTA: Sir, if I am to be interrupted at every sentence I cannot go on. I would warn the Honourable Member that two can play the same game.

As I was saying, most of the mills are closed down, not only in Bombay City but in the Presidency. Ahmedabad which was considered to be a centre of great prosperity as far as cotton mills are concerned has come to the conclusion that it cannot live unless it reduces wages by 25 per cent. and they are going to take that drastic step from tomorrow. If this is news to my Honourable friend, he may digest it. If the Bombay mills and the other mills in India were prospering no doubt a large amount of cotton instead of being shipped to Japan and to the Continent would be consumed in the country itself. If that be so, the prices of cotton would naturally rise and the agriculturist would get better returns for his produce. Not only that. The workmen in the mills and industrial concerns, as you are all aware, get something like Rs. 40 to Rs. 50 per month and the agriculturists hardly get anywhere near about Rs. 10 per month. By getting more money, they, the men working in industrial concerns, would spend more money in the country in the amenities of life, and buy cloth and other things, and the produce of the country, agricultural produce mostly, would increase in price.

THE HONOURABLE SIR KURMA VENKATA REDDI: May I ask for some information on this very point? How much or what proportion does the increase in the price of sugar-cane bear to the actual net profit received by the millowners in these parts and in my province where it is said they have made up nearly half the capital in one year?

THE HONOURABLE SIR HOMI MEHTA: Now, Sir, take the instance of jute which is the great agricultural product of Bengal. Jute has suffered during the last three years just as badly as cotton. Why? Because the manufacturing profits in the jute mills came almost next to nothing. Other countries could not afford to buy the finished goods of hessians and sacks. As soon as prosperity returns, in less than one month jute raw prices, Sir, have risen by Rs. 3 per maund, and the hessians have risen from Rs. 9 to Rs. 11, and the same is the case with sacks. If prosperity comes, the natural result redounds straightaway on the produce of the country, that is, the agricultural produce of jute in the country, and the agriculturists get happy. Without manufacture and industrialization of the country there is no hope for this country to rise in the world and be one of the greatest countries of the world. That is certain.

Coming now to another question, some gentlemen have observed that Government are endeavouring in a way to get their coffers filled with the import duties and that this is the easiest way to get money. May I ask the question, whether ever since 1914 when the war broke out, and even before that, they have ever seen the price of cloth to be lower than what it is today? The price of cloth of 20s. warp and 30s. woof, which is much finer than what we were doing before the war, is nine annas six pies per pound today. Before the war it was eleven annas and twelve annas and fourteen annas. During the course of the war it rose to Rs. 1-14-0 and then gradually it came down and down until now, in spite of this 50 per cent. duty on Japanese cloth and 25 per cent. duty

[Sir Homi Mehta.]

on foreign cloth, the price of cloth stands at nine annas six pies which the poorest man in India had never had an opportunity hitherto of buying at. Sir, these are the facts which anybody in the trade, anybody in the manufacturing line knows, and nobody in the House can deny this statement which is based on sheer facts.

Now, take the iron and steel industry. It is another protected industry. Before the war, girders, iron sheets and pipings were dearer than what they are today. The zinc sheets which were selling at the abnormal price of Rs. 24 and Rs. 30 are now being sold at Rs. 13 and Rs. 14. Gentlemen who are dealing with these articles, who are interested in the manufacture of these articles, know these as facts. Therefore, the poorer section of the Indian people have not been crushed either by the industrialists, manufacturers or money-grabbers at that. One thing is certain that the industries in India should rise to such an extent that they will bring prosperity in turn to the labouring classes and the agriculturist classes. Some gentlemen have tried to persuade this House by pointing out that Government have not given enough protection to the smaller industries like hosiery, earthenware, leather and leather goods, etc., which are minor things compared to the major articles and I agree with the Honourable Mr. Mehrotra that the Japanese have scored over us and we have not scored over them. If we were shipping to Japan instead of Japan shipping piecegoods to this country, if we were sending even a quarter of what they are shipping to this country, then these Japanese gentlemen, who have fought their battle so well in New Delhi, would have put on not a 50 per cent. duty but a 200 per cent. duty to kill the whole competition. Look at the other countries of the world. Look at the Continent, look at America, look at Japan. In every item in which foreign competition enters and ruins the indigenous manufacture, they do not take half measures. They straightaway put such an absurd duty that nothing can enter their country at any time. They, the Japanese, were importing till only 18 months ago a tremendous amount of pig iron from India. As soon as they developed Manchuria and began to get the pig iron from there, they put a 400 per cent. duty on Indian pig iron. This stopped the whole of the Indian pig iron from entering the country. What measures have our Government taken as compared to these? Our measures are absolutely lukewarm. If duties of a sufficient extent had been put on hosiery goods as well as cotton piecegoods, this would give a breathing space to the cotton industry in India. Several mills have been closed down and hundreds of thousands of spindles are lying idle and many thousands of looms are lying idle. They will all be working and consuming more cotton. If the Commerce Department will look into the figures of the last three years, they will find that India is consuming nearly five lakhs bales of cotton less than what they were using three years ago, on account of the stoppage of spindles and looms. My Honourable friend Mr. Hossain Imam told us about the purchase of foreign cotton. May I explain to him that the foreign cotton imported into India does not reach the figure of more than 100,000 bales and that that cotton is imported to spin and weave 50s. and 60s. right up to 100 counts and that there are not even half a dozen mills which can use this cotton and that cotton is used to spin only those fine goods. The majority, more than 92 per cent. are using nothing else but Indian cotton. About 200,000 bales come from our Colony of East Africa—Kampala cotton which is mostly used by the Ahmedabad mills for medium counts for the middle

classes of this country. Why do they use that? Because in India they cannot produce this cotton. If you can produce it, we are not such fools as to buy foreign cotton, pay freight and insurance charges and at the same time pay Rs. 25 per candy duty to the Government of India.

THE HONOURABLE SIR KURMA VENKATA REDDI: Kampala cotton is also produced by Indians?

THE HONOURABLE SIR HOMI MEHTA: It is produced by the negroes of the country. I know the facts.

Sir, we are not fools to pay all these expenses which amount to the equivalent of nearly one anna per pound loss to us before the raw material is put into the machines. But these are the facts. So my Honourable friend can see that we are not against our own country. We are not going to ruin our own agriculturists, but because of things as they are we cannot help ourselves.

Take now the case of sugar which has been so ably put before us. The import duty my Honourable friend says is falling. But surely, if the industries of this country are going to develop and production is to increase then certainly the import of foreign manufactures must fall. There is no other way to look at it, because obviously demand is not going to increase all of a sudden so that it can absorb both the original imported stuff as well as the home made product. But prosperity comes in this way. If industries prosper, though the Government lose on the import duty they derive benefit in many other ways; more income-tax and super-tax are paid and there is greater profit from the land, and in other ways they benefit and the people benefit. It is a question of the general prosperity of the country, and the country cannot hope to become more prosperous without industrialization.

With these remarks, Sir, I support the Bill and resume my seat.

\*THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, I congratulate the Honourable Mr. Stewart for putting forward his arguments so ably in support of the Bill. The Bill safeguards the interests of all the people concerned and gives us the hope of better trade for India against the competition of Japan. In short, Sir, I give my whole-hearted support to the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, I have listened with great interest to the various opinions and criticisms that have been offered on this measure. The criticisms like the critics have differed one from the other. A good deal of misunderstanding, I am afraid, has arisen in spite of my trying to explain that this was not a protective measure but a safeguarding measure, and I feel that in many instances the critics who have argued the inadequacy of the protection afforded have been under the impression that we were endeavouring to give to the indus-

[Mr. T. A. Stewart.]

ries mentioned in this Bill measures of substantive protection. We have also been accused of sins of omission, that there are industries that deserve to find a place in this Bill that find no place. I can only assure Honourable Members that every industry that applied for assistance had its case for assistance examined with great care and attention. It is a matter for gratification that the measure has received such universal support and I need not, I think, follow every Member through every criticism that he has made. The Honourable Rai Bahadur Lala Ram Saran Das expressed the opinion that the present measure should be linked with some provision for an increase of duties in the event of the yen depreciating further. I may remind him that it is of the substance of the Indo-Japanese Agreement that in the event of the further depreciation of the yen the right to impose compensatory duties will exist. Reference has also been made to this vexed question of the hosiery duties. It is true that in the present measure the duty is fixed at so much per dozen. In the Textile Protection Bill which was introduced in another place on the 5th of February the duty has been fixed at so much per pound. The Honourable Sir Kurma Reddi has mentioned the necessity for increasing the purchasing power of those who depend on agricultural products for their living. He will, I think, admit that the Government of India have been not altogether heedless of those interests. The recent bargain that has been struck in respect of raw cotton is a matter for which he ought to give us credit. I may remind him also of the Wheat Import Duty Act, and I can assure him that the case of the agriculturist is not far absent from the mind of the Government of India. When we come to Mr. Hossain Imam, however, matters are rather different. I give him credit for his conscience. He objects to the duties on principle. But I do not give him so much credit for his discovery of a plot. He refuses to accept any statement, any assurance, that this is not a deep-laid plot to increase the preferences to the United Kingdom. Now he is on pretty good and safe ground so long as he restrains himself to general statements, but when he takes our own figures and starts to manipulate them against us I must enter a protest. He bases his case for a plot on the statistics of paints and colours. He discovers that the average price of Japanese paints and colours is something like Rs. 14. Then he looks at the last item in Item 21 and discovers a duty of Rs. 24. He forgets to tell us that Rs. 14 is the average for all sorts and sizes of paints and he chooses the duty that is placed on the most expensive packing, *i.e.*, the 2 ounce side. If that was the material on which he has founded his plot, I do not think we need consider it very much longer.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Amendments 1 to 10 in the Schedule were added to the Bill.

Amendments 11 to 21 in the Schedule were added to the Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

"That amendment 22 stand part of the Bill."

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal: Non-Muhammadian): Sir, the amendment that stands in my name reads thus:

"That in the Schedule to the Bill, in Amendment No. 22 for the proposed Item No. 191-A the following be substituted:

'191-A. Domestic Earthenware, China and porcelain the following, namely:—

(a) Cups . . .	30 per cent. or ten annas per dozen, whichever is higher.	20 per cent.
(b) Saucers . . .	30 per cent. or five annas per dozen, whichever is higher.	20 per cent.
(c) Tea-pots . . .	30 per cent. or three rupees per dozen, whichever is higher.	20 per cent.
(d) Sugar bowls . . .	30 per cent. or twenty-four annas per dozen, whichever is higher.	20 per cent.
(e) Jugs . . .	30 per cent. or twelve annas per dozen, whichever is higher.	20 per cent.
(f) Plates . . .		
(i) over 8½ inches in diameter.	30 per cent. or sixteen annas per dozen, whichever is higher.	20 per cent.
(ii) not over 8½ inches in diameter.	30 per cent. or ten annas per dozen, whichever is higher.	20 per cent."

Sir, the moving of this amendment of mine may seem to my friends as an effort to raise a debate or a tempest in a tea cup. At first sight, it may appear to be so, but at the same time I can assure them that the ripples that take their rise on the surface of the tea would not only dash against the sides of the tea cup but the waves generated there would be propagated in the country outside and hardly hit the already tottering and unsteady foundation of the indigenous ceramic industry. I call this industry unsteady purposely because after all it is in its infancy and if during this infant stage of the ceramic industry some helping hand is not given to it, it is sure that like the toddling infant it would suffer some physical deformity and would be crippled for all time to come. It is at this stage that protection is most needed. If you want the industry to develop, to cater to the wants of the country and compete with foreign industry, it is but meet and proper that it should be sufficiently safeguarded by means of a tariff. If we look at the statistics that has been circulated to all the Members by the courtesy of the Commerce Department, we find that more than 60 per cent. of the china, porcelain and earthenware are imported from Japan. It is within the knowledge of most of the Honourable Members that the Japanese can produce finished articles and export them to India at a price which it is very difficult for the Indian manufacturer even to produce. The import from the other countries is quite small in comparison—

THE HONOURABLE THE PRESIDENT: We have already discussed the general principles of the Bill and I trust the Honourable Member will now confine himself to the amendment.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: I am coming to it, Sir. So if we want to increase our output in these branches, we have got to see that there is preferential treatment afforded, by subjecting the imported goods to a tariff which would make competition

[Mr. Satyendra Chandra Ghosh Maulik.]

more on an equitable basis. You have no doubt suggested a sliding scale of tariff, but if you look at it more scrutinizingly you will find that small articles, that is articles of small dimensions, are practically free from the duty. It is these articles which are most in demand in the market and the bigger articles are not so much in use, so that the sliding scale of tariff would not benefit the ceramic industry as a whole. On actual calculation, Sir, it is found that according to the amended duties on a tea set with a teapot of 20 oz. capacity the duty will be annas fourteen per set, whereas on the same set with a teapot of 19½ oz. capacity the duty will be only annas eight. A difference of half an ounce in the capacity of a teapot and cups and saucers makes practically no difference to the buyer, whereas for the slight difference in the capacity, a difference of Re. 0-6-6, or about 50 per cent. in duty, is a very big difference. The Japanese will consequently send the small sized goods and the protection to the Indian manufacturers will be almost nothing.

Further, very few people buy tea sets. The demand in the market is mainly for cups and saucers and small plates. By the proposed Bill small plates are totally exempted from duty and the duty on cups and saucers of 7½ oz. capacity has been brought down from 15 annas originally proposed in the Bill to annas six only. Japanese cups and saucers are at present sold in Calcutta and Bombay markets at the rate of about 15 annas to Re. 1 per dozen. The cost of production of Indian cups and saucers is about Rs. 1-3-0 to Rs. 1-5-0 per dozen. Adding the cost of packing, railway freight, breakage in transit, etc., a dozen cups and saucers of Indian make can under no circumstances be placed in these important markets below the rates of Rs. 1-9-0 to Rs. 1-11-0 per dozen. With a duty of 15 annas as was originally proposed in the Bill, there was some chance for the Indian goods to compete with the goods of Japanese manufacture. With the reduced duty of 6 annas per dozen on cups and saucers the Indian goods will have little chance to compete. If the object of the duty is to help the struggling Indian manufacturers, the least that Government should do is to restore the duties as were proposed in the original Bill. Sir, my amendment does not go any way further than was suggested in the Select Committee and put down in the original Bill as placed in the other House and I do hope and trust that it will commend itself to the House for the support which it so richly deserves.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I rise to oppose the amendment. I do so, Sir, because I feel that the pottery factories in India which are of only recent growth are not progressing well and are in a very bad condition. My esteemed friend the Honourable Sir Kurma Reddi observed during his observations that porcelain and china ware are not used by the poorer classes. So there can be no doubt about it when an agricultural authority like him holds so. That is a fact and this affects only the middle classes. As far as the encouragement of this industry is concerned, I might observe at this stage that it gives employment to labour, which consists mostly of agriculturists. As far as the Punjab is concerned, the landholdings are so small and the families are so big that the agriculturist cannot do anything except send most of their family members to the urban areas to work there as labourers. So if we throw out any industry it means that we throw out labour and throwing out labour which consists mostly of the agriculturists, who are at present

in a very bad way. If in an agriculturist family which consists of five wage earners, four are working as labourers and if they are thrown out they will be in a very bad plight and they will not know how to make both ends meet. In potteries, Sir, I wish that India should be self-contained and any effort to make it self-contained ought not to be discouraged. The duties proposed by the Government though not sufficient and reasonable ought to be accepted.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, the amendment moved by my Honourable friend Mr. Ghosh Maulik from Bengal seems a very harmless one. He has raised the question of amending rates on certain cups and saucers and other very minor matters connected therewith. I think the House will be well advised not to raise a tempest in a tea cup over the question.

THE HONOURABLE MR. T. A. STEWART: Sir, on behalf of Government, I must oppose this amendment. In doing so I should explain why the item in its present form has been accepted. When we originally framed our proposals we had in mind the standard size of cup and saucer and the corresponding articles such as teapots, sugar bowls and jugs. It was represented to us, with a very good reason, that the duties we had proposed for the standard sizes would be absolutely prohibitive for the smaller sizes and for that reason Government was induced to accept the amendment in the form in which it now stands. The effect of the item really is to make the *ad valorem* incidence of the duty on each of these items more or less on the same level. There might have been some case for accepting the Honourable mover's amendment, had it been the case that there was any considerable production, if any production at all, in India of the small sizes to which he seeks to give further protection. Mr. Hardy who visited in person the Bengal Potteries saw no sign of any manufacture of the smaller sizes. It would, I think, be an unconscionable burden on legitimate import to impose duties which might be as much as 400 or 500 per cent. *ad valorem*.

The amendment was negatived.

Amendment No. 22 in the Schedule was added to the Bill.

Amendments Nos. 23 to 32 in the Schedule were added to the Bill.

Clause 2 was added to the Bill.

Clause 3 was added to the Bill.

Clause 1, the Title and the Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

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The Council then adjourned till Eleven of the Clock on Tuesday, the 20th February, 1934.





## COUNCIL OF STATE.

*Tuesday, 20th February, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### GENERAL DISCUSSION OF THE RAILWAY BUDGET FOR 1934-35.

THE HONOURABLE THE PRESIDENT: The discussion will now start on the Railway Budget for 1934-35. I do not propose to prescribe any time limit and I leave that matter to the sound judgment and discretion of Honourable Members.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadian): Sir, it is a matter of some satisfaction that the Honourable the Commerce Member and the Chief Commissioner of Railways have been able to present us with a better budget than what they presented to us last year. I congratulate the Honourable Sir Joseph Bhore and the Honourable Sir Guthrie Russell for the economy campaign which they have launched for reduction in expenditure on Railways. It was a matter of satisfaction that the services of Mr. Pope and some time back of Mr. Dickinson were loaned to go into this matter. I should like to know from the Honourable the Chief Commissioner of Railways how far their recommendations have been brought into operation. I am also grateful to the Honourable Sir Joseph Bhore for his making the Central Advisory Committee for Railways a lively body. That he has done by allowing the members to make suggestions for discussion. Hitherto the Central Advisory Committee only used to deal with subjects which were put before them by the Honourable Member for Railway and generally through a year there was not a single meeting of this Committee. Now, as this privilege has been given to its members, more useful results will come out of it.

I must also express my grateful thanks to the Honourable Member for Railways for selecting an Indian as Agent of the Eastern Bengal Railway. This is a departure in the right direction. We Indians have been awaiting it for long.

Sir, as far as my criticism and observations on the Railway Budget is concerned I shall try to be as brief as possible and I will not indulge in useless criticism. Sir, we find from the Report of the Standing Finance Committee for Railways regarding the Sara Bridge, which is given on page 25 of Vol. X, No. 6 of the Proceedings, that the Hardinge Bridge cost about Rs. 3½ crores to the Indian taxpayer. The bridge was finished in 1915. We find from the same report that in the year 1924 a severe attack on the Sara guide bank began and in 1930 the current swung round to the right bank. We find that a great deal of damage has been done to these bunds and from the papers before us we also find that no effective measures were taken to protect the disaster which has been facing this bridge during

[Rai Bahadur Lala Ram Saran Das.]

the last nine years. The Railway Board invited Sir Robert Gales only last year to give advice when the damage had actually been done. Why was he not invited in 1980-81? To save a bridge which had cost the country about Rs. 3½ crores was left entirely in the hands of the local officers who, I say, with due deference to them, wanted the advice of an expert. We find that Sir Robert Gales came out to India but no mention is made in this report about the report or criticisms which he offered to the Railway Board and the causes which have contributed to this serious damage. I would therefore suggest that as Sir Robert Gales estimates the cost of repairs to over a crore of rupees, in the public interest an independent committee should be appointed who should report as to who was responsible for this negligence and want of attention and who were the officers who did not take the right action at the right time and why against the established practice no one was present when the guide bank breached at odd hours of the night of the 26th September last. It may be said that in Bengal the river flowing under the bridge takes an abnormal course. That is not a new thing. That is always known. There were eminent engineers in India with whom consultation was readily available and even that consultation was not held. I therefore wish, Sir, and I request the Government to appoint an independent Commission of Enquiry to go into this serious matter and to report on it.

Sir, for some time past, the Accounts and Audit Departments have been separated. As far as is apparent, there has been no benefit from it. On the other hand expenditure has been increased by crores. I wish this question to be thoroughly examined and if no material advantage is derived from it these two departments should be re-amalgamated. For some time past there has been a hobby for decentralization without getting material benefit from it. On the North Western Railway the Carriage and Wagon Department was separated from the Loco. Department. I do not blame the officers. Perhaps their intentions were quite honest and sincere, but experience proved that separation was a failure. I did talk to one of the senior officers of those departments and asked him what advantage had been derived from separation? He said, "Look here; we went up for it to the Government of India, who in turn went up to the Secretary of State and we got this scheme sanctioned, and now it is very awkward for us to admit that we committed a blunder". However, Sir, good sense prevailed later on and the Railway Board amalgamated these two departments again. The case of the Clearing Office is similar. I consider that the Railway Clearing Office is a white elephant. It costs a great deal and we do not get the benefit from it which was anticipated. I know that officers can make a good case out of a weak case, but as we laymen have not got all the papers at our disposal we are not able to offer criticism which officials could not easily refute.

Sir, the divisional system on Railways has been introduced for some time. To us laymen it does not bring the advantages which were anticipated. As businessmen we find in practice that for changes in rates we go to the Commercial Officer and that officer sometimes agrees to our suggestions, but the supply of wagons and trucks is not in his hands; we have to go to another officer to get the trucks. Then if you send a letter today to the railway, it goes to the Central Registry Officer—a great ocean in which it dives—and generally the officer concerned gets it after the

lapse of some days. This unusual delay and unnecessary duplication of work is improper, and so far as the public is concerned the introduction of the divisional system on Railways has not been successful.

As regards the salaries of future entrants to the Railways, the Railway Board has already published the scales of salaries and allowances of officers. I do not know what they have yet done as regards revision of salaries and allowances of subordinates and other employees, but the time has come when that should be done and the House informed.

Sir, some time back there was a great scandal in regard to the procedure for dealing with and accepting tenders for timber sleepers. A committee of inquiry was appointed and it was proved that there was something really seriously wrong. The Railway Board as a matter of safeguard took over into their own hands the matter of tenders and contracts for sleepers. I wish that a similar thing should be done in the matter of coal contracts. There have been rumours and plenty of press criticism of the way in which coal contracts were being dealt with. I would request the Honourable the Commerce Member and the Chief Commissioner for Railways to consider my suggestion seriously and see their way to have the acceptances of tenders for coal in their own hands.

I find that the expert report as regards the better working of the workshops has been adopted to a certain extent. The job system, as far as my information goes, has proved a success. But still the overhead charges in workshops are very heavy. Even for gates there are senior and highly paid subordinates. Take the case of the North Western Railway. They have European sergeants at the gates as gatekeepers. Only recently there have been a lot of thefts and those thefts have taken place notwithstanding the plea of railway officials that a highly paid man is more likely to be honest as a gatekeeper. It is not an intellectual job at all. I need not go into the details of the thefts which have taken place, but I believe the Honourable the Chief Commissioner knows how frequent they have been and have not so far been checked. Therefore, Sir, I request that in all these directions a saving must be effected.

Sir, the public does not so far know what was the reference made to Mr. Pope as regards effecting reduction in railway expenditure. I should like to know whether the present establishment and its adequacy or inadequacy was referred to Mr. Pope. In this connection I might suggest that the commercial and transportation branches on each of the railways for which there is a senior officer in charge of each at present might well be reamalgamated under one senior officer with two deputies, one for each branch.

As far as Indianization of the workshops and the mechanical engineering side of the Railways are concerned, I find with regret that the admission of Indians into that branch of railway service has been very meagre. This year on the North Western Railway I understand only two students from the MacLagan College were taken. In the past two years, if I am not wrong, nobody was taken from the MacLagan College in the mechanical services. We were all very glad that the railway authorities introduced training of apprentices for the superior service in the mechanical engineering side of railways. Last year a good number of students qualified themselves from the Jamalpur Workshops where they had their training and out of ten who were there the Railway Board selected seven; but on account of the request from the public and from the Members of this

[Rai Bahadur Lala Ram Saran Das.]

Legislature the authorities were kind enough to send all ten of them to England for their training. At that time the Honourable Sir Joseph Bore, as far as I can understand, said that so far as the last three were concerned efforts will be made to find employment for them although that cannot be guaranteed. There was a time, Sir, when nobody offered himself for the mechanical line in India. A great deal of effort was made in this direction and as far as the Punjab is concerned it went out of its way to establish the MacLagan Engineering College on which a few millions were spent and in case the product of that College cannot be usefully employed, the maintenance of that College by the Punjab Government or similar colleges by other Provincial Governments will be reduced to a farce. I suggest that a large number of Indians be taken into the mechanical senior subordinate service.

I find, Sir, that the Railway Board intend to buy 2,000 odd wagons for the Railways this year. The unprecedented depression in railway receipts is quite manifest and I would suggest that as there are thousands of wagons lying idle on many State Railways this year, 2,000 wagons be loaned to those Railways which are short of wagons and thus an expenditure of about a crore of rupees be saved. Sir, on the North Western Railway there was a bigger demand for locomotives during the war and the Railway Board succeeded in getting the loan of some locomotives for the North Western Railway from other Indian Railways. A similar thing can now be done in the case of wagons.

I have been repeating from year to year, Sir, that the loss on strategic railways ought to be debited to the Army Department. Why should the Army Department have a contribution from railway funds by the back door? This unjust practice is being repeated from year to year. We show that as a loss to Indian Railways which are purely run as a commercial concern and there seems to be no legitimate reason why this annual loss should not be debited to the Army Department. The Army Department should really show what they are spending. To contribute to the Army Department by the back door is an anomaly which I cannot understand. It may be said that for Government it is simply a book transfer. All the same we must show real accounts to the public and not incomplete accounts which I cannot but call inaccurate and misleading.

Sir, notwithstanding the abnormal depression on Railways the concessions to the Army Department still continue. This House and the other House has been clamouring that those concessions should be withdrawn. When those concessions cannot be withdrawn in such abnormal times of depression, when will you withdraw them? There are concessions to the Army in coaching as well as in goods. We find that ordinarily British soldiers are allowed to travel second class on paying third class fares. Practically all sorts of military goods are booked at concessional rates. It may be said that the Military Department is a great customer of the Railways, but that argument is not a sound one and cannot stand public criticism. The time has now come when right action in the right direction is required and this loss should no more be borne by the Railways which are being run on commercial lines.

Last year, Sir, I advocated that the surcharge on freight of coal, particularly of the coal carried over long distances, ought to be withdrawn. This, if I may be permitted to say so, is a step to discourage industries

and the sooner it is remedied the better. No surcharge is made on soft coke which is used for domestic purposes, and so Railways cannot come forward and say that it is not a paying proposition to carry coal without the surcharge. When you can do it for soft coke you can do it for steam coal for industrial concerns

In every civilized country, railways are meant to develop the trade and commerce of the country and here I should say that the opposite is the case, anyhow as far as the carriage of steam coal is concerned. Sir, whenever Christmas and Easter comes, the Railways come forward with concessions in passenger fares, but whenever there is a big fair, say at Ajmer or Kumbh at Hardwar, or a big gathering at some other station, the Railways refuse to give such concession. Why?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: But they engage special trains.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: My friend says that they engage special trains. In case they do not engage special trains they lose the traffic, because it is essential for them in order to secure traffic to arrange for special trains. I had the pleasure of travelling on the Continent last year and at Rome there was a great religious festival. I found, Sir, to my astonishment that the reduction or concession of fares on the Italian Railways was reduced to 25 per cent. for the return journey; that is, that for the return journey there was a reduction of 75 per cent. in fare. Why cannot India do the same? We, on the other hand, cry that our traffic receipts are falling. I saw that even on British Railways owing to bad times reduced concession rates for travel all over England and Scotland during the summer. Here we try to increase fares and freights. We have done so in a number of cases. I understand that the Great Indian Peninsula Railway is considering the increase of second class fares and the reduction of first class fares. That is a wrong policy, Sir, to encourage first class traffic which is mostly confined to Government officials and to a few well-to-do people at the cost of second class is unsound. Most of the upper classes travel second class and in case you increase the second class fare you will certainly reduce your earnings. I simply put forward this for the serious consideration of the railway authorities.

On my Continental tour, Sir, I found that the Indian Railways are worked much better than the Continental Railways. As far as the upper classes are concerned we get more amenities and we get better accommodation and equally good services on Indian Railways and I congratulate the Honourable the Commerce Member and the Chief Commissioner for Railways that they are in no way inferior in running and in efficiency as compared with European railways. But, Sir, the lot of third class passengers cannot be compared. I admit that the fares there for third class passengers are higher than what prevail here but still, Sir, in these days of bus competition it is necessary to provide amenities. As far as the upper classes are concerned, one great amenity is the heating of carriages and making them dust proof. That can be done without much cost and without much difficulty here. It is a cheap measure. I have seen it all over the Continent and even in England that every passenger carriage there is heated by a water-heating installation. I wish, Sir, that in order to get more traffic this thing should be introduced on Indian Railways, if not in all classes, at least in the upper classes. Then, Sir,

[Rai Bahadur Lala Ram Saran Das.]

comes the question of cooling the coaches. On the Continent this is not necessary but in India it is and I consider that the time has now come when this question should be considered. Being a layman I cannot suggest how it should be done. There are carrier systems of cooling and air-conditioning systems, and many others. Being a layman I leave it to the authorities to decide which system to adopt.

Sir, as far as the question of communal representation on the Railways is concerned, there has been always a demand from the various communities for an increase of their numbers in the railway service. If I am not wrong, my information is that it has been decided that in the railway service 20 per cent. should be Europeans, 7 per cent. Anglo-Indians, 25 per cent. Moslems, and I do not know what percentage is allowed to Indian Christians, Parsis, or Sikhs leaving aside the Hindus who comprise the bulk of the population. I should like the authorities concerned to throw some light on this, whether the percentages which I have given are right or wrong and if they are wrong what are the accurate percentages?

Sir, we know that, as far as communal representation is concerned, the railway authorities only take the upper services into consideration, I mean the officers. What about the subordinates and other employees? Sir, it is only equitable and just that when considering this question of communal representation the whole service and all classes of employees, superior and inferior, should be taken into consideration. It is unjust to do otherwise. I, therefore, Sir, request the Honourable the Commerce Member to reply to my query and then to throw some light on this ticklish question of communal representation which to my mind ought not to have been applied to services on Railways which are run on commercial lines.

I find, Sir, that a number of serviceable locomotives are now lying scrapped at various centres painted white on portions which are liable to rust. They are quite serviceable but they were perhaps scrapped to find room for more economic locomotives. To effect that sort of waste at a time when we are hard up for money is I think unjustified and I should like some light to be thrown as to what use will be made of these engines which though serviceable have been scrapped. In case my information is correct, the new X-C class engines which are said to be up to date and which have been introduced on the State Railways, as far as the North Western Railway is concerned and as far as running on the Lahore-Karachi section is concerned, my information is that the new X-C class of engines have proved a failure. These are very expensive engines and very often get sick for repair and have to be replaced by S. P. engines. I cannot understand why such a type of engine was selected which has to go to the workshop every now and then. Sir, some time back in India a company was formed to make locomotives. Its works were called the Peninsular Locomotive Works. Its promoters were promised patronage from the Railways but when the time came that patronage was refused and I understand that those works had to go into liquidation. Sir, India ought to be made self-contained and even at a time when we have to pay a little more for the articles which are made in India we ought not to grudge that little extra expenditure. The refusal of patronage at that time to Indian made locomotives has resulted in discouragement to those who came forward with new industries.

Sir, vending contracts on the Railways are sometimes given to retired officials or retired subordinates of the Railways. That is in practice a great mistake because the influence that those officers or subordinates command makes them careless and the supplies generally are low and bad. On principle, Sir, I strongly object to that sort of patronage which affects the interests of the travelling public.

Sir, for some time past in the Railway Board a standardization section has been established and it tries to standardize all coaches and wagons. Some time back, Sir, they have introduced metal venetians in all passenger coaches and stopped the windows for upper berths. I mean they are being introduced whenever a carriage goes to the shops. Wooden venetians are replaced by metal ones and the result is that in provinces like the United Provinces, Rajputana, Sind, the North-West Frontier Province or the Punjab, those metal venetians get heated in the summer and in the cold weather they get bitterly cold with the result that the passengers travelling are inconvenienced a good deal. India, unlike England and other small countries, is a very vast country. It is a country of long distances, of various climates, and there cannot be any fixed standard of coach which will do for both the Punjab and the Madras Presidency. Therefore, so far as the component parts of the vehicles are concerned which are renewable from time to time, let there be standardization. Let there be standardization in axle boxes, springs, buffers, couplings, bolts, nuts and such like things. But do not have an equal standard for a province which gets extremes of heat and cold and a province which is comparatively temperate all the year round—

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that he has already occupied 40 minutes and that there are several other speakers to follow him?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I thank you for the indulgence shown to me, and with these words I resume my seat.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, I listened with great interest to the speech of the Honourable Sir Guthrie Russell when presenting the Railway Budget in this House on Saturday last and have carefully studied the speech made at the same time in another place by the Honourable Sir Joseph Bhore. I congratulate both Honourable Members on the manner in which they have made out their case giving the best possible showing of the result of the past year's working and a reasonable view of the prospects for the coming year. I always think it must be a most difficult task to estimate receipts and expenses twelve months ahead for an undertaking of such magnitude as that controlled by the Railway Board and allowing for unforeseen circumstances, the estimate for the past year is extraordinarily accurate.

The net result for the year 1932-33 was a loss of Rs. 10½ crores which has been met by a temporary loan from the depreciation fund leaving a balance in that fund of something under Rs. 12 crores. It is satisfactory to remember that if there had not been such a fund, which has been subject to criticism in the past, the position would have been much worse and I am grateful that such a fund was created in more prosperous days as otherwise we should have been faced with the position of having no little nest



[Mr. E. Miller.]

egg from which to draw in order to balance the Budget. This shews very forcibly how necessary it is, if possible to effect still further economies in overheads and to increase traffic returns by every conceivable means. Speaking as a businessman, I cannot help but feel that much still can be done to seek after new business so that railway wagons may not lie idle but as far as possible be fully employed and also not travel empty on return journeys. This is not the place, neither is there time to discuss this matter in detail, but I would suggest that a still further careful enquiry should be made into the possibilities of improving present methods in this direction. I would like to say here that I think the economies effected by the Railways during the past couple of years are remarkably good, and I wish to associate myself with the Honourable Sir Guthrie Russell in his tribute to the agents, officers and staff of the railways who have made this possible, but that is no reason why still further economies should not be effected which I am sure is fully appreciated by all concerned. I am glad to see that it is proposed to spend a certain amount on improving passenger amenities which, if used wisely, will I am sure help to increase passenger traffic.

With regard to the proposed works programme for the coming year, I should like to make a few remarks in connection with the Bombay-Sind Connection Railway. When the abovementioned scheme was under consideration in 1922, the Bombay Chamber of Commerce which I represent, while they were on general grounds in favour of the extension, recorded their doubt as to whether the undertaking would be a profitable one from the goods traffic point of view and suggested that any advantage likely to be derived would be confined to the travelling public and the postal authorities, who would undoubtedly benefit by the reduction in transit time between Bombay and Karachi.

So far as mails are concerned, it is clear that the development of air services has already nullified this argument and it may be expected that before long the same will in some measure be true of passenger traffic. I am accordingly disposed to wonder whether the scheme, which it seems to be generally accepted should proceed, is one which really fulfils the financial conditions laid down by the Honourable the Finance Member of the Government of India who has declared that one of the essential criteria in Government's programme of capital expenditure is that Government must adhere to the policy of not regarding any schemes as suitable objects for capital expenditure which are not economically sound and productive. I understand that the project was surveyed through the agency of the North Western Railway and is at present being examined by that railway and by the Railway Board. The Board will thus be in possession of the most up-to-date information in regard to the goods and passenger traffic to be expected when the line is opened, and I would be grateful for any reassurance the Chief Commissioner may feel able to give in this regard.

A point that should be considered is that the opening of this connection may have the effect of encouraging still further the diversion of traffic to the Kathiawar State ports at the expense of Bombay, and even of Karachi. There may well be some reason to apprehend that a chord railway of this kind, meeting the Kathiawar connections about midway between Sind and Bombay, may be tapped at that point by the Railways of the Kathiawar States, and traffic, which might normally be expected

to come to Bombay, may seek the cheaper outlet from Bhavnagar and other ports. Similarly the consideration of low port charges may tend to attract trade southwards to Kathiawar which would otherwise be shipped from Karachi. It may be assumed that neither of these possible developments would be welcome to the Railways in British India any more than they would suit the ports of Bombay and Karachi, and I should appreciate the Government's views in regard to this matter.

The Honourable Sir Joseph Bhore in his speech refers to other forms of transport having made inroads into railway traffic and, while this must be correct to some extent, the Honourable Sir Guthrie Russell at the Road-Rail Conference last year put it at not more than Rs. 1½ crores to Rs. 2 crores. Such things are bound to happen in these days of progress, but fortunately for India the matter has been tackled at an earlier stage than in any other part of the world, by the convening of a Road-Rail Conference last April. One of the resolutions then tabled was

"That this Conference considers that suitable machinery should be established at the centre and in the provinces to ensure adequate co-ordination between all forms of transport and their future development",

and this was adopted by the Conference. His Excellency the Viceroy referred to the importance of this matter at the annual meeting of the Associated Chambers of Commerce in Calcutta last month, and I would take this opportunity of urging upon Government, the necessity for establishing a Board of Communications or Ministry of Transport in order to give effect to the unanimous opinion of officials representing both the Central Government and provinces and representatives of other bodies who attended the Conference. The Honourable Sir Joseph Bhore in his speech on Saturday stated that he felt sure that the representatives of Local Governments, who attended that Conference, appreciated how closely the prosperity of the country is bound up with its railway system; but while I agree with this, my impression is that at that Conference the provinces felt very strongly that it is also bound up with road development and the only thing that it is essential to ensure is that the two means of transport are developed in such a manner that they both help each other. If Honourable Members will study the Mitchell-Kirkness Report, they will find that the Railways themselves made considerable recommendations in regard to the need for the development of roads in order to feed the railways, and unless something is done quickly in this direction, the country will be unable to cope with and take full advantage of the return to times of prosperity towards which the Honourable Sir Guthrie Russell hinted that we were possibly turning in the near future.

In order to assist in this direction, the Honourable the Finance Member at the Conference offered to grant road loans to any province who put up road schemes which were sound and would satisfy the Government of India that they could provide for the service of the loans and the maintenance charges. This should be possible with the assistance of the petrol road tax, and I understand that several Provincial Governments are now working on such schemes.

With regard to the question of co-ordination between road and railway interests, I would ask the Railway Board to consider, when formulating schemes for new railway bridges or the reconstruction of old ones, to thoroughly investigate whether such bridges should not also carry a road, not only for pedestrians and motor traffic but for bullock cart traffic also.

[Mr. E. Miller.]

It might be said that this would be providing for what is generally objectionable, namely, a road running parallel to the railway, but in such cases as I suggest, it would only be for a short length and would assist in bringing feeder roads into a centre, thus assisting in providing increased railway traffic. There are many instances of where there is no station adjacent to a bridge and therefore the railway only secure a limited amount of such traffic owing to the road taking a long and circuitous route, thus the short-cut I am suggesting should and would encourage more traffic to the railway. I do not suggest that the provision of such a road by railways would always be desirable, but there are many cases where the road traffic across a river is made by an inadequate ferry service and, if the railway replaced such by a rail-road bridge, a toll might easily be charged although, speaking generally, I strongly object to road tolls.

There are many other matters connected with the Railway Budget to which I might refer, but no doubt these will be dealt with by other Honourable Members and I have therefore more or less confined my remarks to matters which might not otherwise be dealt with today. There remain only two points which I should like to mention briefly, and they are the desirability of giving railway receipts the legal status of negotiable instruments and also to enquire whether Government can give us any recent information in regard to their proposed action in connection with railway risk note form "A", which was the subject of a resolution at the Associated Chambers of Commerce meeting last month.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, I have great pleasure in felicitating the Honourable the Commerce Member and the Honourable the Chief Commissioner on the very lucid speeches that they made and the splendid memorandum which they have placed in our hands. Though I happen to be one of the latest recruits to this Council and though I feel that I am quite unable to concentrate upon any particular item in this, I feel that I have learnt more from these three papers, the two speeches and the memorandum, than I could have expected to be able to learn. The Honourable Sir Joseph Bhore is the first Indian Member that has taken charge of this Railway Portfolio, and to us in Madras it is a matter of special gratification that he comes from the Madras service, though he is of the Indian Civil Service. (*An Honourable Member*: "All India is proud of him.") And that is all the more honour to Madras that it was Madras that sent him to this all-India service. We have long memories and long gritudes. We do not forget our old friends and when they are able to render service to the motherland we feel that we ourselves have rendered it and are therefore proud of it. There is, however, an unfortunate thing in this matter that he should have come to take charge of this department at a time when the country is under the fatal grip of this vicious depression. If it had been at any other time he should certainly have been able to show much better results. He and his lieutenant the Chief Commissioner deserve to be congratulated on the very able manner in which they have managed to the extent which we find from these papers. It will be noticed that the receipts, from the statement made, would appear to range between Rs. 100 crores to Rs. 104 crores in the years previous to when he took over charge. Unfortunately from 1930-31 they have gone down to Rs. 95, Rs. 86 and Rs. 84 crores. Similarly in the matter of expenditure, which

I take it must have been based at the inception on the Rs. 100 crores receipts basis, that has been kept up and could not be reduced. We all know that once a certain scale of expenditure has been adopted it is very difficult indeed to reduce it. What I would submit to the Government, and I hope they will not take it as criticism but merely as a suggestion to be considered for what it is worth, is that as I think that the present rate of expenditure is based upon that Rs. 100 crores level, unless this depression passes away it would not perhaps be right to go on at the same rate of expenditure and I would suggest basing it on the Rs. 90 or Rs. 95 crores standard and not upon the Rs. 100 crores standard.

Sir, I am not unaware of the great savings effected recently, especially after the report of the Retrenchment Sub-Committee. In this connection I should like to meet one or two points raised by the Honourable the Leader of the Opposition. He told us that the Railway Clearing House is a white elephant. So long as the railway system is as it is today and there are State-managed and Company-managed Railways such a thing as a Clearing House seems to me to be a necessity. However the matter was considered fully by the Sub-Committee and I believe Mr. Sundaram, a well-known personage in matters connected with railways and finance, clearly pointed out that there would be no saving at all by the abolition of this department, the reason being that the work has got to be done by somebody, and if this establishment is taken away each railway will have to appoint its own officers to conduct this business and the result would be perhaps the loss of a lakh of rupees or so. The Honourable the Chief Commissioner might perhaps see the matter in a different light but I feel that no useful purpose would be served by the abolition of this department.

Then, Sir, something was also said about the concessions to the Army Department. I am afraid that that too does not seem to me to be a useful suggestion for the reason that if we do not give the concessions, the Army Department will have to incur the same expenditure from other sources, the general revenues, and I fail to see how any real advantage can be gained. What is taken away from the right hand will have to be given into the left. It will make no difference so far as national revenues are concerned.

Sir, several retrenchments have been effected and we are grateful to the Honourable the Chief Commissioner; but as regards the new scale of pay to the higher officers, of the grade of chief engineer, traffic manager, controller of stores, etc., may I ask if that would apply only to new entrants. I am not quite sure of the wording of the orders on the subject. But if it applies only to new entrants I should like to know when they actually expect it to come into force? By "new entrants" is it meant those who enter the service hereafter or those who have already entered the service but have not yet reached those higher posts? If the former, my submission is that it will take a very long time indeed and something different would have to be arranged for.

Again, Sir, several hundreds, perhaps thousands, have been turned out of the workshops as a matter of retrenchment. In regard to that policy opinions may differ. When these skilled and unskilled labourers, who draw very small salaries are turned out, their purchasing power is gone and naturally it is one more step towards continuing the prices of land produce and foodstuffs at their present low level. In fact, Sir, in the World Economic Conference, if I am not mistaken, one of the suggestions

[Sir Kurma Venkata Reddi.]

made was that Governments in various countries should take upon themselves the task of public construction, various works, in which they could employ more men, so that the money might pass into their hands and they might be able to purchase things, with the natural result that prices would rise. If thousands of people of the lower orders are taken away from employment, the trouble will be that they will be a burden upon society and upon the nation and I do not know whether that would be a real economy from the higher standpoint.

Then, Sir, as regards other things, I should be glad to know how many higher officers have been retrenched. I should be glad to be told that if not to the same extent—of course it would not be possible to do to the same extent as in the workshops—at least something has been reduced in the case of the higher officers also, for instance, deputies and the like. Speaking of retrenchment, I should like to add one more point in that connection. It is this. This report of the Railway Retrenchment Sub-Committee, I think, was limited to the headquarters more or less, to retrenchment in the head office and things like that. At the end of the report, Sir, I find a recommendation at page 17 to this effect:

“Apart from the present financial situation we have felt that a large organisation like Indian Railways would be all the better for a periodical overhaul by a small body of outsiders including persons new to Indian railway organisation but familiar with similar organisations elsewhere who will be able to bring to bear on the problem their experience of other organisations and look at the organisation in India from a new point of view”.

I know, Sir, that there was this Pope Enquiry last year and I believe that that enquiry will be continued this year, if the newspapers have reported correctly. That is a welcome step, but I thought that the Pope Enquiry was limited to more or less departmental and technical matters. This overhauling that is contemplated by the Retrenchment Sub-Committee seems to me to be entirely different and is more in the interests of the State finances, and if so I should be glad to know from the Honourable Member or from the Chief Commissioner whether the Government intend to take steps to see that this overhauling that is recommended here is carried out periodically.

The next thing that I should like to refer to is the depreciation fund. I find at page 54 of the Explanatory Memorandum, appropriation to the fund is given in column 3, and I find that the figures vary from time to time. I find it is Rs. 10½ crores in the first year, in 1932-33 it is Rs. 13½ crores, and in between we find that there is appropriation of Rs. 10 crores, Rs. 11 crores and Rs. 12 crores and so on and so forth. I should be glad to have some explanation as to these variations. I thought that when this appropriation fund was organised, a certain proportion to the capital invested would be taken and that though it may not be stationary, such variations as these might not occur. We should like to know what method is adopted. I may tell you that it is only for information that I am asking this and it is not meant to be a piece of criticism; but it will be interesting to the Members of this House to know what percentage and what method was adopted in order to arrive at these figures. The reason why I am keen about these figures is this. I find in column 6 of the same page that the withdrawals which became necessary to be taken from this fund for the purpose of meeting our deficits was Rs. 4½ crores, Rs. 10½ crores, Rs. 7½ crores and Rs. 5½ crores in the last four years.

They are said to be temporary withdrawals. From that I take it, Sir, that the idea is that when fortune favours us, when better times come, when our income increases, it is intended that this sum should be refunded to that fund. I see no objection to that, but what troubles me is this. Looking at page 3 of the same memorandum in column 8, "paid as contribution to general revenues" I find that a sum of Rs. 6.78 crores, Rs. 5.49 crores, Rs. 6 crores, Rs. 6.28 crores, Rs. 5.23 crores, Rs. 6.12 crores and Rs. 5.74 crores are given from the years 1924-25 to 1930-31. After that we do not find any contribution made. When there was the separation of railway finance from general finance, I thought the object was that there should be a contribution made to the general revenues. In fact in those days when railway receipts were so very large certainly they did make it as a matter of fact, but even there I do not find anything like any proportion to the capital expenditure. So far as the interest is concerned, the capitalized value seems based on Rs. 800 crores and at 4 per cent, the interest would come up to Rs. 32 crores. That we find consistently kept up from beginning to end. It has got to be paid. There is nothing wrong with it. What I do not understand is why these figures of contribution to the general revenues paid should vary? The second point is this. The average works out at the rate of 5.95 per year and during these four unpaid years it has come to nearly Rs. 24 crores. Just as they intend to return the money taken from the depreciation fund, would it not be possible, desirable and reasonable that they should refund also to the general revenues, provided of course the profits are forthcoming? Why should there be a difference made between the return to the general revenues and the return to the depreciation fund? No doubt the depreciation fund is necessary to supply the needs, renewals, replacements, and so on and so forth, but at the same time if they view the two funds equally I should think it would be more reasonable to return to the general revenues its overdues simultaneously with the refunding to the depreciation fund.

Then, Sir, one thing that I should like to be told is about this "transfer to the railway reserve" on page 3 of the Memorandum, 9th column. I refer to the horizontal column, "transferred to revenues". I find that in the first five years payments were made to the extent of Rs. 18.81 crores. But in the next three years, Rs. 17.96 crores have been spent from it leaving only a balance of about Rs. 95 lakhs. I should like to know what it is. Sir, I am putting these questions—once again I wish to guard myself—not as a piece of criticism but being new to the Council I should like to know what exactly it is, because I do not know whether the depreciation fund is not also called the reserve fund. In some places I discovered the words "depreciation reserve funds" and if the "railway reserve" is something different, I should like to know if the object was to have also what may be called a sinking fund or reserve fund. If there is anything of that kind, we should like to know what exactly it is and in what condition it is today?

Now, Sir, having said that, I should like to make a reference to the motor competition which is just now prevailing in this country. If I may give some of my experiences in South Africa, I should like to tell the Honourable Member and the Railway Board that in South Africa there was in the years 1930-31 a similar trouble. Buses and char-a-bancs increased in very large numbers and competed with railways, carrying passengers and goods even at a very much lower rate than railways. Then the Minister for Railways, who came to this country also at the time

[Sir Kurma Venkata Reddi.]

of the inauguration here, set his foot upon it and said he would never allow this competition to go on with the result that in two or three years they made up their deficiencies. Sir, that these motor buses do serve a particular need and particular communities in various parts there is no denying. It may be too that there are certain routes which make it necessary for these buses to exist. But where these routes are almost parallel to the railway lines I think national needs require that their cut-throat competition must be put a stop to by any means within the power of the Government and I can assure the Honourable Member that this House at any rate will be glad to support him in any measure that he may bring forward to see that this cut-throat competition is not allowed and that the national revenues are not jeopardized in any way.

Sir, there are only two other matters to which I wish to refer. Generally speaking, I have no grievances to place before the Honourable Member but there are two matters which are very vital to us and I should like to place them before the Honourable Member. The first is that we have no return tickets in Madras. A concession is given so far as the Blue Mountain Express is concerned but that is all. I do not know, Sir, whether it is prudent to refuse these return tickets. I know in these hard times, many respectable people, who travel first or second class because of their status or something, have been foregoing their journeys simply because they find it impossible to bear the expense and waiting for X'mas or Easter. Now, thereby the Railways are certainly losing a certain amount of revenue. I hope, Sir, that the Madras and Southern Mahratta Railway and the South Indian Railway may be instructed to issue return tickets.

I have only one other matter, Sir, and that is a real grievance. Honourable Members will perhaps be thinking that I am obsessed with this oppression of the ryots and the agriculturists in my province. They may think whatever they like but I shall never be tired of bringing it to the notice of the Government as long as I sit in this House and unless these grievances are redressed and unless some steps are taken to increase their material prosperity I shall consider, Sir, that my existence here will be worthless and absolutely unnecessary. Now, Sir, the South Indian Railway have granted certain concessions to the grain producers of Tanjore. Tanjore is a big district. The Cauvery is a very big river. Similarly we in the Northern Sircars in the districts of Guntur, Kristnar, East and West Godavery have our lands watered by the two big rivers Kistna and Godavery. Sir, we cultivate as much as two million acres with paddy and we produce every year tons and tons of paddy, as much as three million tons of paddy. Owing unfortunately not only to the depression but to the additional cause of Japanese and Siamese rice being imported into Madras, owing also to the taxes placed by His Exalted Highness the Nizam's Government, so much per maund, owing also to taxes levied in far off Malaya where there are 600,000 Indians who eat only Madras rice, we find ourselves in such a bad plight that any concession made to us in improving our condition will be a blessing which will never be forgotten. The Madras and Southern Mahratta Railway gives no concession with regard to the conveyance of paddy. I am told (and I am sure my Honourable friend Mr. Souter who represents the Madras Government here will bear me out) that whereas people could send their paddy from Guntur to Coconada at a certain rate they could not send it to Masulipatam, at the

same rate, and today we find hundreds and thousands of tons, heaps of paddy lying in the central depots at Ellore with no purchasers to buy and with these heavy freights even for the small sales that our people have been able to effect. I hope, Sir, that my appeal will be viewed with favour. I know that the Government are considering this problem of rice and they have been devoting great attention to it, but this matter, Sir, is of immediate interest and unless immediate orders are sent (for this is the season when we have to send out paddy) I should think, Sir, that great harm will be done to my people. I know the Government of India are sympathetic and that my appeal will be heard with sympathy.

With these words, Sir, I congratulate the Honourable the Commerce Member and the Chief Commissioner on the service they have so far rendered to the country.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam : Non-Muhaminadan): Sir, if I rise to speak, it is mainly with a view to bring to the notice of the Honourable the Railway Member one or two matters affecting the transport facilities in my province of Assam. Before I do so, I must however pause for a moment to congratulate him on the lucidity of his statement. No one need be in doubt as to what the financial position is. From the figures supplied and the explanations offered it can be seen at a glance. The position of a Railway Member who is faced with a succession of deficits is not an enviable one and it is difficult not to extend one's sympathy to him. As a very human man he has dressed up his arguments in such a way as to lessen the severity of the shock. He has told us that although the last three years have been years of deficit taking the eleven years from the separation of railway revenues from the general revenues together the railways will make a clear profit of Rs. 15 crores. This is hardly reassuring. The depreciation fund, appropriations to which, during those eleven years amounted to Rs. 135 crores now stands at Rs. 11½ crores. Out of the fund as much as Rs. 27½ crores has been borrowed towards working expenses. That means that if deficits continue for a couple of years more, there will be no depreciation fund to draw on and the administration will be compelled to borrow money from the outside. That would mean an addition to the interest charges which are mainly responsible for our deficits measured in crores. The Railway Member however gives us the comforting assurance that the tide has turned in our favour. We devoutly hope and pray that he may be right. But the trade conditions are so unstable, thanks to the tariff walls, currency manipulations, and a hundred other named and unnameable causes that it is difficult to believe that the corner has at all been turned. As laymen who lack expert and inside knowledge, there is very little that we can offer by way of suggestions. All that we can do is to emphasize what we have done several times before, namely, the need for drastic retrenchment of expenditure. We know committees have sat and retrenchments made but we are not prepared to believe that the limit has been reached. We would earnestly appeal to the Honourable the Railway Member to explore further avenues of retrenchment.

Coming to the matters to which I particularly desire to invite the attention of the Railway Member, the first is the fact that Assam is very ill-developed as regards transport facilities. We have indeed got the railway and steamer services and a road system, but they are altogether inadequate to the needs of a province which does not easily lend itself



[Rai Bahadur Promode Chandra Dutt.]

to transport development. Important centres are yet isolated and there are vast areas which can be usefully tapped. Water transport cannot, I am afraid, be further developed, for the province is mostly hilly and not a riverine one. For development we must look to the Railway and the Road Board. The Assam Bengal Railway is a very ambitious line and I would like it to tap as many areas as it can, for the Company has spent vast sums of money to construct the line, and all would wish that every bit of traffic should go to it. It has besides the advantage that Government guarantees 3 per cent. in the share-capital—an arrangement which is very advantageous to it in these days of cheap money. But it seems to be very halting in its construction scheme. Years ago it made a survey for the construction of a line to join the important sub-division of Maulnibazar to the main line. It is a matter of 12 miles or so. But the construction has not been undertaken yet. We wish the Railway to tell us whether it will take up this line or no, for in that case, we could approach the Road Development Board to take it up. Secondly, a bridge over the river Surma is very necessary. In my speech in 1931, I referred in detail to the disadvantages which the absence of the bridge entails and I will not repeat them here. There are, however, three very good reasons why the construction of the bridge should not be delayed. In the first place, the Assam Bengal Railway has decided not to extend the line on to the other side of the river. A less pretentious bridge will therefore do in view of this and it cannot cost more than a couple of lakhs. Secondly, the Government of Assam have built a pucca motor road from Shillong to the town of Sylhet—a matter of 87 miles—at a cost of nearly Rs. 30 lakhs, and it will not only add to the convenience of the travelling public but also to the profits of the Railway to link up the road with the line on the other side of the river, and thirdly, money is cheap at the present moment. I was told in 1931 that the idea had not yet been abandoned. I hope that it will not be abandoned both for the sake of the travelling public and the Railway itself. I am glad to hear that the Railways are anxious to provide passenger amenities as far as practicable. I am particularly glad that raised platforms will be provided where necessary. But the Assam Bengal Railway, I am sorry to have to repeat, is not very keen on providing a comfortable journey for its passengers. People have been crying for years for a through train or at least a couple of compartments from Sylhet Bazar Station to Chandpur. But the Company has consistently refused to listen to this request. Both the branch line and the main line have the same gauge and it is difficult to realize why the Company should be so reluctant to provide this amenity. Any one having to travel from the Sylhet Bazar Station, besides crossing the river, has to change four times before he reaches civilization. A through train will avoid two changes and the Company should not grudge us this facility.

The Assam Bengal Railway again charges higher rates and fares than either the Eastern Bengal Railway or the East Indian Railway. The reason alleged of course is the heavy cost of its construction. But if higher charges are to be a permanent feature of railway travelling in Assam it is a great disability against which we would like to protest. From Sylhet to Calcutta—a matter of 430 miles—the first class fare is Rs. 62 odd and the third class fare Rs. 8 odd, while from Howrah to Delhi, a matter of over 900 miles, the fares are Rs. 74 and Rs. 10, respectively. Thus both the higher class and the lower class passengers are being

far more heavily taxed by the Assam Bengal Railway. A share of the higher rate in the case of passengers to Calcutta from Sylhet is probably attributable to the India General Steam Navigation and the River Steam Navigation Companies who carry us from Chandpur to Goalundo, a journey of six hours or so. I respectfully invite the attention of the Railway Member to this. At any rate, as paying higher rates we have a right to expect better amenities. But they seem to be in inverse ratio to the charge.

In answer to a question from me in September last, the Honourable Mr. Brayshay said that the Government consider it desirable that where a railway line runs through a large tract of country there should be a fair number of natives of that area in railway services working in that tract of country as far as possible. It is a wholesome principle for recognising which we are grateful to the Railway Administration. But I challenged the statement made by Mr. Brayshay that—

“It is believed that this practice is followed generally on the Assam Bengal Railway.”

I called for figures, but they were not supplied on the ground that he had no information. Sir, the Railways have their establishment books and the information could easily be had. The fact that it was withheld only shows that it did not support his statement. May I ask the Honourable the Railway Member to kindly look into this and let the House know?

Sir, motor traffic is making a big hole into the Railway Budget. It is inevitable to a certain extent as the Honourable the Railway Member himself recognizes. But we agree with him that reduplication of transport services is a wasteful expenditure. We do hope however that while disclaiming any intention to maintain a monopolistic position, the Railways will not so put pressure on the authorities as to drive the motor service to a corner, which will mean the latter's ultimate extinction to the great disadvantage of the travelling public.

Before I conclude, I repeat that the bridge over the river Surma is a great necessity. The Honourable the Railway Member has held out hopes that under the present conditions of cheap money and low prices of material he would like to undertake projects which are likely to be remunerative and he would be prepared to ask the Assembly for the requisite additional grant. I believe, Sir, that the bridge will not only add to the advantages of the travelling public but also attract more passenger and goods traffic to the great benefit of the Assam Bengal Railway itself.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, from the figures quoted by the Honourable the Chief Commissioner of Railways in his speech while presenting the Railway Budget for the year 1934-35 in this House, it is indeed gratifying to note the constant decrease in deficits which has been the lot of the Railway Budget since the year 1930-31. In the words of the Honourable the Railway Member from his speech while introducing this very Budget in the other House,

“the crescendo of deficits began in 1930-31 with Rs. 5 crores, grew to Rs. 9½ crores in 1931-32 and reached its height in 1932-33 with a figure of Rs. 10½ crores. We hope that that constitutes the peak, for we expect our deficit to be Rs. 7½ crores in 1933-34 and about Rs. 5½ crores in 1934-35”.

To make up the deficiency of Rs. 5 crores within a short period of two years is no doubt a creditable achievement on the part of the Railway Department and as the Honourable the Chief Commissioner of Railways is

[Major Nawab Sir Mahomed Akbar Khan.]

representing that Department in this House, I must congratulate him for the result obtained by the joint efforts of the railway staff in India towards making up the deficits in the Railway Budget as best as they can. But at the same time I would further like to point out that to make up one's losses at the sacrifice of his deposits is not a good bargain at all. To take loans from the depreciation fund is not a good practice to which the Railway Department is resorting for over a couple of years, and unless this practice is completely abandoned I am afraid it will result in the entire consumption of this fund. I would therefore wish to impress upon the Honourable the Chief Commissioner of Railways that when it is creditable to him to make up the deficiency of Rs. 5 crores in the Railway Budget within a short period of two years, it will even be more creditable if this making up of deficiency is effected without touching the depreciation fund.

Reduction in fares of third class passengers up to the distance of 50 miles is a matter of pleasure for every one to note, and it is expected to be highly appreciated by the general public in consequence of which it must yield a higher income from this source as compared with the past. But I do not think that the majority of the population of the North-West Frontier Province would be in a position to take much advantage of this reduction. All the railway lines in the North-West Frontier Province, when taken separately, do not exceed the distance of 50 miles with only one or two exceptions and consequently the majority of frontier people do not chance to travel by rail over the stipulated distance of 50 miles. Reduction of half a pie per mile in case of journeys not less than 50 miles is of no avail to them and it will therefore be quite in the fitness of things that the restriction of a 50 mile journey is done away with so far as my province is concerned. It will surely help a good deal to popularize the railways in that part of the country and especially in these days of hard competition with the motor lorry and bus. At the same time may I ask the Honourable the Chief Commissioner of Railways whether it is uncalled for to give an advantage of such like reductions in fares to the higher class passengers. If reduction in fare of the third class passenger is expected to attract a greater number of passengers of this class and thus automatically yield greater earnings from them, it can also be expected so in the case of higher class passengers. I think the experiment of reduction in fares should also be tried in the case of higher class passengers.

To effect an increase in the earnings of Railways the construction of new projects should be taken in hand. So far as my province is concerned the railway line from Mardan to Charsadda and Swabi is a matter of great importance to the inhabitants of those places. The line to Swabi can be extended up to Haripore station on Taxila-Havilian branch through Pehur by constructing a bridge over the Indus, while the Taxila-Havilian branch can be extended up to Garhi-Habibullah. The railway line from Nowshera to Dargai may be extended to Chakdara, either from Dargai railway station through Malakand or from Parkho-Dehri to Thana, terminating at Chakdara. The Swat valley is very fertile and I do not see why there should be no railway extended to it. No doubt there will be some difficulty to construct it but it will be surely a paying railway. Apart from this a line from Peshawar to Kohat through the Durra, covering a distance of 40 miles with an additional distance of 60 miles between

Kohat and Mari-Indus, is a matter of imperative necessity now-a-days. As the bridge at Mari-Indus Kalabagh has proved the means of easy excess into the North-West Frontier Province from the Punjab, a bridge to cross the Swabi-Haripore line is very imperative, as the Indus river is very narrow at that place and the desired bridge can therefore be constructed without any difficulty. All these projects are urgently called for, as their construction, apart from it proving a source to promote peace, tranquillity and civilization, is of great importance from the strategical and military point of view.

From the approximate sum of Rs. 14 crores allotted for construction works, I note that over Rs. 3½ lakhs are reserved for the construction of raised platforms. Since it is a special item provision for which has been made in the next year's budget, I would like to bring it to the notice of the Honourable the Chief Commissioner of Railways that Mardan railway station, in spite of its being an important military station between Risalpur and Dargai and the Headquarters of the Guides cavalry and infantry is without a raised platform up to this day. May I hope that he will make it a point to write to the Agent, North Western Railway, to provide a raised platform at Mardan railway station out of the fund allotted to him for this purpose this year? It is desirable that telephonic connection should also be provided at that station, for at present in the absence of such connection much inconvenience is being experienced by passengers in the way of their enquiring about the timings of trains tabled for that end and the large consignment received by the local trader. Is it not strange that an important military station like Mardan should be without a telephone?

From the last paragraph of the speech of the Honourable the Chief Commissioner of Railways, it might have been noted by Honourable Members that the Railway Department is particularly anxious to avoid further mass reduction of its staff. No doubt there has already been sufficient reduction both in the wages and in the staff, but as it is, it is the manual labourers who have been largely retrenched and not the supervising and other high staff that has monopolized the largest share of the Railway Budget. Since retrenchment in expenditure is the urgent necessity of the time, I hope the department concerned will not allow its present-day decision to stand in their way of effecting reasonable reduction in order to balance this budget.

In the light of these remarks I hope the Honourable the Chief Commissioner of Railways will do some thing for that mute, neglected and voiceless province of the Frontier, whose people do not ventilate their grievances very often. They do require better treatment and they are entitled to receive it from the railway authorities as they are much handicapped by not having railway communication between important stations. I hope the Honourable the Chief Commissioner will see his way, whenever his finances permit, to construct the new lines I have enumerated above.

**THE HONOURABLE MR. J. A. HUBBACK** (Bihar and Orissa: Nominated Official): Sir, I have only one contribution to make to this discussion and in making it I feel sure that I can speak not only for myself but for the other Honourable Members of this House who come, like myself, from Bihar. I wish to express thanks to the Railway Board and to the railway administrations for the very prompt and generous assistance which has been rendered to meet the grievous situation caused by the earthquake in

[Mr. J. A. Hubback.]

Bihar. This has taken two main forms. Firstly, provision has been made for special rates and special facilities for the despatch of necessary material to the affected area, and this made the relief in that affected area very much easier and will make the relief, that will be necessary for many months to come, easier. In the second place, provision has been made for similar facilities for the movement of sugarcane from the affected area to the mills outside that area. This will probably enable some 40 lakhs of maunds of cane, which would otherwise have been left to be used only for such purposes as fuel, to get a certain price at any rate and will put money into the pockets of the cultivators of the affected area, and, what is more, put heart into the rural population of the grievously afflicted districts of Muzaffarpur, Darbhanga and Champaran.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, I feel called upon to make a few observations on the Railway Budget which was duly presented by the Honourable Sir Guthrie Russell, the Chief Commissioner of Railways on Saturday last.

No. 1. In the first place, Sir Guthrie Russell's optimism that they have turned round the corner is not justified. Though there has been a rise in the earnings of goods traffic and freight, yet passenger earning is distinctly going down and this cannot be attributed to trade depression alone. I think the progressive motor road competition is the real cause. And unless there be proper co-ordination between the railways and road traffic, there is no future for Indian Railways. My Honourable friend, Sir Guthrie Russell, said that even in the present conditions they will be able to pay 3 per cent. dividend; but, Sir, he has forgotten that if he is to calculate properly he should not forget that several crores of rupees have been spent by the Government in acquiring land over which railway trains pass. For honest accountancy all relevant expenditure should be taken into consideration.

No. 2. The Indian Railways must be made popular if it is to be run on a sound basis. If expert advice is to be taken it should not be confined to British experts only. England, after all, is a small country and experience obtained there is not suitable to Indian conditions. I cannot understand why experts are not obtained from a big country like the United States of America and other countries. So far as I know Japan is the only country that is getting a dividend for their railways even in these hard days for they run their railways economically. Why not get an expert from Japan?

THE HONOURABLE MR. HOSSAIN IMAM: Is it a big country?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: It is no doubt a small country, like England, but it is the only country where railways are run economically. That is my criticism and the Honourable Member may speak for himself.

No. 3. The third class passengers' lot should be thoroughly improved.

(At this stage the Honourable Mr. Miller took the Chair, which was vacated by the Honourable the President.)

Why should they not be provided with electric fans? Sir, I do not claim one fan for two or three passengers as in higher classes, but one or two fans for every 60 or 70 passengers. I understand, Sir, that electric power is generated due to the motion of the train and that expenditure for supplying fans will be comparatively insignificant. Again, Sir, I have noticed that in the servants' compartments of the Indian Railways there is no accommodation for latrines. I draw the attention of the railway authorities to remedy this long felt want in this country as soon as possible. Sir, so long as the people of the country are to be huddled together like cattle in third class compartments of Indian Railways and denied the most modest amenities of civilization and comforts, it matters not whether you reduce half a pie in the mileage or a pie. I think there is no future of increased revenue for Indian Railways. Give them back their prestige, give them back their honour, and their comfort and let them live and move like human beings and not like human cattle and that is what is wanted.

With these remarks I congratulate the Honourable Sir Joseph Bhore and his lieutenant Sir Guthrie Russell and resume my seat with the hope of a prosperous budget next year.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official): Sir, I would have hesitated to intervene in this debate but for a fresh misfortune which is about to befall the City of Bombay. It appears that Bombay's cup of misfortune is not yet full. The latest blow which has been threatened is by the Railway Department in connection with the export of cotton from Bombay. The Bombay Municipal Corporation and the Local Government are likely to be hit hard by the proposal of the diversion of the trade through the opening of a depot by the Great Indian Peninsula Railway at Mumbra about 20 miles north of Bombay, from where cotton will be conveyed in country crafts into the harbour and shipped by the steamers in the stream. Thus a grievous loss will be inflicted upon the Government, the Corporation and the Port Trust. Sir, during the time of prosperity the Government of Bombay allowed a duty of Re. 1 to be charged upon every bale of cotton that was imported into Bombay; the revenue was divided between the two bodies in the proportion of four-sevenths and three-sevenths, respectively. The Port Trust also profited from the storage of cotton in its godowns and port dues. The Government of Bombay have just been able to produce a balanced budget for 1934-35, with a small surplus of Rs. 70,000. That will also be affected to the extent of several lakhs. The Corporation's budget for 1933-34 was framed upon the income of Rs. 12 lakhs, subsequently reduced to Rs. 8½ lakhs. The budget for 1934-35 will now require to be adjusted to meet the loss entailed by the transfer of the export trade to Mumbra. As it is, this House is fully conversant with the depression in the City of Bombay, thirty mills have closed down and 60,000 workers are without employment. The Honourable Sir Homi Mehta described the condition of the mill industry only yesterday. I do not therefore desire to labour the point. Bombay has thus a legitimate and serious grievance. I thought the Honourable the Chief Commissioner for Railways would have a soft corner for Bombay, but it appears that he has a much softer corner for the Great Indian Peninsula Railway. Thus a deliberate injustice is being done to the City and unless Government and the Honourable the Commerce

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

Member intervene in the matter, I maintain that the city will be deprived of a good sum of its income, almost equivalent to the revenue from the enhanced house-tax. As it is, there is serious competition with the Kathiawar ports; Bombay has been losing for some time its export trade. At the present rate, if the proposal becomes effective its trade will become practically extinct. I therefore appeal to the Honourable the Commerce Member to save Bombay from a further loss in its vital resources.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA (United Provinces Central: Non-Muhammadan): Sir, as I have been pressing the claim of this House to have more attention of the Members of the Executive Council, I think it to be my duty to express my sense of gratitude to the Honourable the Commerce Member who has made his annual visit to this House. Sir, a deficit budget for the Railways has become the order of the day. From year to year we find that deficit budgets are placed before us (since 1930-31). So both my friends the Honourable the Commerce Member and the Chief Commissioner as well as we, the non-officials here, have become accustomed to it. I congratulate them on the courage with which they have faced the Government as well as both Chambers and the way in which they have marshalled facts to make the best of a bad job. The Honourable the Commerce Member himself has admitted it on page 5 of his Budget speech where he said as follows:

"Taking the period of eleven years beginning from 1924-25 and ending 1934-35 we find that the first six years were a period of prosperity and the following five years have been otherwise. The crescendo of deficit began in 1930-31 with Rs. 5 crores, grew to Rs. 9½ crores in 1931-32 and reached its height in 1932-33 with a figure of Rs. 10½ crores. We hope that that constitutes the peak, for we expect our deficit to be Rs. 7½ crores in 1933-34 and about Rs. 5½ crores in 1934-35".

So, Sir, what we find is this that during the last five years the total loss which the Railways have suffered comes to about Rs. 37½ crores. Sir, we admit that the 1933-34 Budget has been effected by an unexpected loss on account of the earthquake and damages to the Hardinge Bridge. The amount that the Government expects to spend over these unforeseen items is about Rs. 2½ crores. If there had been a deficit of that amount I would have accepted it in the usual course but we find, Sir, that the deficit is not one of Rs. 2½ crores but of Rs. 7½ crores. Both the Honourable the Commerce Member and the Chief Commissioner are very sanguine over the improvements they are expecting in the next budget but, Sir, they were equally sanguine over the 1932-33 and the 1933-34 Budgets but their hopes were not fulfilled in these years and I do not know if their hopes will be fulfilled in the coming year 1934-35. Sir, so far as the year 1932-33 is concerned, the Honourable the Commerce Member has himself said:

"When I presented the Railway Budget last year, I anticipated a deficit during 1932-33 of Rs. 9½ crores. The actual loss due entirely to a fall in traffic receipts was unfortunately larger. The total loss of Rs. 10½ crores was met by a temporary loan from the depreciation fund which, after this transaction, was left with an actual balance of just over Rs. 12 crores".

So, Sir, what I find is that they expected a loss of Rs. 9½ crores in 1932-33 but it turned out to be Rs. 10½ crores. Now, as far as 1933-34 is concerned, he says:

"We budgeted for an income during the current year from all sources of Rs. 89½ crores and for a total expenditure including depreciation, of just over Rs. 64 crores, which would have brought our net revenue to nearly Rs. 25½ crores. We now anticipate that our receipts will bring us in Rs. 68½ crores instead of Rs. 89½ crores, while our expenditure will remain at about the anticipated figure, thus bringing our net traffic receipts to Rs. 24½ crores".

That is they expected in the current year a net profit of Rs. 25½ crores but now they find they will not have more than Rs. 24½ crores. So, Sir, during the last two years their hopes have not been fulfilled. On the same presumption I submit that it is very difficult and he will be a bold prophet who can prophesy that the next year the result will be what they expect. Sir, the Railway Department is a commercial department and what is required is that we should make our utmost effort not only to make both ends meet but to have a profit every year. This cannot be achieved, I submit, without cutting our coat according to our cloth. Thus, Sir, the result is that unless we decrease our expenses as we find that our revenues are decreasing we cannot make both ends meet. What I find, Sir, is that no appreciable decrease has been made in the items of expenditure. This object can be met if the attention of the Government is concentrated on the Indianization of the Services. By Indianization of the Services I refer to the higher and not to the lower services. I admit, Sir, that some improvements have been made but they are not sufficient and progress should be made at a more rapid rate than has been done. It is no use turning a few labourers and coolies and clerks out of their jobs by way of retrenchment. It is the higher services in which you can effect a saving of a substantial character. Sir, I am not sure if there is going to be any vacancy in the Railway Board in future, but I would submit that the Government may see its way to have the claims of Indians considered and appoint some prominent Indian on that Board. Already we have got one and I hope it will be in the fitness of the times if more Indians will be appointed there.

Sir, I fail to understand why expenses on the strategic lines are included in this department which is run on commercial lines. My friend Sir Kurma Reddi was of opinion that it is no use transferring items from this to the military department but I would submit, Sir, that it makes a lot of difference. When we discuss these matters under the General Budget and press on the Government that we are expending much more on the military department and expenses should be curtailed the facts and figures are placed before us that they have reduced so much on the department and they are spending so much but from these figures we find that there are many other departments from which the Army Department is getting a lion's share by the back door and which we do not find in that budget and therefore at that time we cannot say what are the actual military expenses. They are getting their share of about Rs. 2 crores in the Railway Budget. They are getting I cannot say for certain how much from the Public Works Department and so many other departments. All the military expenses should be exclusively placed under the Army budget so that we may get correct figures and may be in a position to say that we are spending so much on the Army Department.

Then, Sir, I find that even during the years when the Railways are meeting a deficit budget the same concessions are being given to the



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

soldiers of the Army Department, that is, they can travel second class on third class fares, much to the inconvenience of the travelling public. And the goods of the Army Department are also transported at concessional rates. I think, Sir, it is time now that these concessions were withdrawn as we are getting a deficit budget and all expenses should be met by the Army Department if they want to show these concessions to the soldiers.

Sir, I find that there has been a little improvement in the goods traffic but the revenue on passenger traffic has fallen. This is what the Honourable the Commerce Member says at page 3 of his speech:

"The traffic in 1933-34 has been well above the previous year, though we may not be able to reach our original estimates. But though our revised estimate of receipts is half a crore below our original anticipations, it is over Rs. 2 crores or 2½ per cent. higher than the figure of last year. It is noteworthy that our goods earnings during the current year are now expected to be nearly Rs. 3½ crores, or about 6 per cent. above our earnings in 1932-33".

Sir, if more attention is paid to both goods and passenger traffic, I am sure that our revenues will increase. With your permission, Sir, I will make some observations for the consideration of the Honourable the Commerce Member. So far as the passenger traffic is concerned, I quite admit that there is competition from the bus service at certain places. Why is this competition being offered by the bus owners? Because the passengers travelling by the trains are not given as much convenience as are given by these buses. If you reduce the rates of the third class passengers, and give them the benefit of return tickets and week-end tickets as is being done on the East Indian Railway, there is no reason why people should prefer travelling by buses instead of the railways. I find that at several places the time tables are so arranged that people have to wait for hours at crossings. If a little more attention is paid in drawing up the time tables, I am sure that people will not be inconvenienced and will like to travel on railways more than on buses.

Sir, I find from the speech of the Honourable the Commerce Member that Government have reduced half a pie per mile up to 650 miles on the North Western Railway for the sake of experiment. I would submit that they should reduce it on all the Railways. Why they have selected the North Western Railway only, I do not find any explanation in the Budget speech.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN:  
NOON: Because they had to select one.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Why select one? Why not make the reduction all round and see whether the income increases or not?

THE HONOURABLE MR. BIJAY KUMAR BASU: If it was done, the loss would be colossal.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: So far as the goods traffic is concerned, I am glad to find that it has shown a little improvement. But what is required, as the

Leader of the Opposition has said, is this. If more concessions are given so far as coal is concerned, there will be greater income to the Railways. Coal is a basic commodity so far as the factories are concerned and it should be carried from the collieries to these factories at concessional rates.

Then, Sir, I would place here the claims of my own province where so many sugar factories have sprung up that sugar from the United Provinces to the port towns of Karachi, Bombay, Calcutta and Madras as well as to the Punjab should be carried at concessional rates. The same concession in freight should be given for sugar as has been given in the case of wheat from the Punjab to Karachi and other parts of India. If this is done, I am sure the Railways will be in a position to earn more revenue on that account.

THE HONOURABLE MR. BIJAY KUMAR BASU: Sugar is already enjoying a very big protection.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: My friend says that sugar is already enjoying protection. I admit that it is enjoying protection from sugar imported from foreign countries. But what about the facilities of transport in India? It has not got any concessions in this respect and if there are facilities of transport in India they will be able to beat the Java sugar at the ports where they are imported. I am therefore urging the claims of my province so far as sugar is concerned.

THE HONOURABLE MR. BIJAY KUMAR BASU: You want more protection in the shape of railway concession?

THE HONOURABLE THE CHAIRMAN: Order, order.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I have not been able to find figures about the amount of stores that have been purchased from the Stores Purchase Department and from outside. I would request the Honourable the Commerce Member, when he replies, to give us the figures about the purchase of railway materials from the Stores Purchase Department. I think it would be advisable to make more purchases through that Department instead of placing orders directly.

Sir, I find that more inroads are being made on the depreciation fund every year. If the object of the depreciation fund is to meet emergencies such as the earthquake or the Ganges floods, the inroads that have been made on this fund should not have been made. I admit that the money has been drawn in the shape of loans only; I hope that it will be returned as soon as possible.

Sir, as regards the manufacture of locomotives, the Leader of the Opposition has already drawn attention to this matter, and you, Sir, have also mentioned it in your speech. I entirely agree with you, Sir, and the Leader of the Opposition that every effort should be made to make India self-contained and therefore an early opportunity should be sought to get locomotives manufactured in India.

With these observations, Sir, I close my remarks.

THE HONOURABLE MR. J. B. GLASS (Burma Chamber of Commerce): Sir, I would first join in the congratulations to Sir Guthrie Russell on the case he has made out for the Railways which makes more cheerful reading than the Budget of last year as traffic is now on the upgrade and the Railways can usually be regarded as a reliable barometer of trade. Set-backs such as referred to by Sir Guthrie are inevitable in any process of recovery, the wave may recede but the next wave comes in with greater impetus. Railway returns in the papers this morning are again encouraging.

In his optimism in the framing of the estimates, which I share, it has to be remembered however that this modern world is so interdependent, one country with another, that changes for the worse elsewhere, apparently entirely divorced from conditions in India, may at any time upset the wisest calculations and prognostications.

I am not altogether at one with Sir Guthrie Russell, without further information, over his claim regarding the profit which would have been earned by the Railways had they been owned by a private company. But I found his comparisons with earnings of other railway systems elsewhere most interesting.

In regard to railway earnings it is noticeable that the increase in the year's workings has been entirely under goods, an increase of 6 per cent. being recorded, whereas passenger earnings show a drop of a crore, or 4 per cent. less than the figures for last year. It is, however, understandable that in times such as we have been going through with prices for agricultural produce at levels below the relative fall in prices for manufactured goods, and consequently general depression, third class passengers, who naturally form the backbone of such traffic, are unable to utilise the railways for pilgrimages and purposes apart from business as was their wont in more prosperous times but are instead compelled by force of circumstances to confine their travelling in the main to journeys of definite necessity. In the same way the ordinary tourist traffic must have suffered severely.

I regard it as a wise move by the administration that, despite present conditions, the railways, looking ahead, are budgeting to spend a total of more than Rs. 38 lakhs on passenger amenities which I consider, particularly so far as third class travelling is concerned, probably an even more important factor in increasing earnings than the reduction of fares.

It is interesting from the point of view of my province to notice the reductions on grain carrying charges by the Bombay, Baroda and Central India, Bengal Nagpur, Madras and Southern Mahratta and South Indian Railways which I trust will have the effect desired but I am afraid may possibly lead to repercussions in other directions. There appears to me to be a tendency in India today towards a policy of self-supporting isolation which will not I consider work in this world of today and already I sense indications that unless curbed this outlook will incline to spread under the coming reforms to similar provincial aspirations.

I have read with considerable interest of Mr. Pope's activities and am glad his services have been secured for a further year. The cost of his investigations is given as Rs. 23,000 which I take, although this is not quite clear to me, from the proceedings of the Standing Finance Committee

for Railways, dated the 6th December, to be for the coming year, but in any case results from his last visit indicate that the money will be well spent.

It must not be forgotten, however, that economy can at times be carried too far and it is admitted that many of the economies which have been effected by the Railways have been of the nature of a postponement of expenditure and the time when this expenditure has to be undertaken comes ever nearer and has in certain cases already come. One of these directions I gather is in the case of maintenance of carriage and wagon stocks, on which Rs. 5,63,75,000 are to be expended in the coming year. While on this subject I consider it might have been desirable had the Explanatory Note on page 40 of the Demand for Grants been more explanatory in regard to the writing-off of Rs. 5½ lakhs of timber scrap on the Great Indian Peninsula Railway.

In regard to my general criticism I think, Sir, Honourable Members, since they have read throughout Volume X, No. 5 of the Standing Finance Committee on Railways, in which the condition of rolling stock is frequently referred to, will agree with me that with cheap money, cheap material, idle workshops, and consequent unemployment, combined with indications of the upward trend of trade, it should be the subject of further consideration by the authorities concerned as to whether a still more ambitious programme would not be both wise and courageous. The increase in the period set between repairs from 27 months to 36 months I note has actually resulted in increase in the cost of each individual repair and it seems indicated that a plank or bolt in time saves nine.

Another direction in which economy has probably been overdone is in regard to replacement of rails and sleepers where the need for repairs and renewals appear to be a matter of moment. Some Rs. 476 lakhs have I note been provided for this purpose, say, Rs. 57½ lakhs more than last year, in the endeavour to pull up some of the admitted arrears. In this connection, Sir, I put forward the suggestion for the very serious consideration of the Railway Board and Government whether it is not more advisable to rely for the latter on wood from our forests? This would give revenue to Government in royalty and perhaps more important, considerable employment for labour in the forests, now either closed or partially closed down since last year due to curtailment of sleeper replacements and the use of steel.

Sir, in another place I note that it is indicated our views would be welcome on what must be regarded as a matter of primary importance, viz., the administration of the Railways under the constitution proposed in the White Paper.

I agree with the proposal that a Statutory Railway Board should be constituted for the management of the Railways and my views as expressed are shared by my Chamber.

I consider that the Constitution Act should not only stipulate the establishment of the Board but should also clearly lay down its powers.

The control of policy should rest with the Government, responsible through the Legislature to the people, but the Legislatures should not be permitted to interfere in details of administration. The Board should be of the nature of a Board of Directors. It would be required to carry

[Mr. J. B. Glass.]

out the policy laid down by the Legislature, but apart from this it should manage the Railways on business lines free from political interference. A Statutory Board of Management should be provided and railway finance should be separated from general finance as at present.

The Council then adjourned for Lunch till a Quarter to Three of the Clock.

The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable Mr. Miller in the Chair.

THE HONOURABLE THE CHAIRMAN: The Council will now resume discussion on the Railway Budget.

\*THE HONOURABLE SARDAR BUTA SINGH (Punjab: Sikh): Sir, this is the fourth deficit Budget with which we are dealing today. The day seems yet distant when the railways will be able to launch constructive programmes and show surpluses as they did before the year 1929-30.

The Honourable the Commerce Member and the Honourable Sir Guthrie Russell deserve congratulation for the able manner in which they have worked out details of the present Budget and reduced the unwelcome run on the depreciation fund by Rs. 2½ crores as compared with the current year and Rs. 5 crores as compared with the last year.

It is a matter for gratification that the important question of locomotives being manufactured in India is being examined by the Honourable the Commerce Member and I hope immediate steps will be taken to give employment to a large number of our countrymen in this way.

The Chief Commissioner of Railways is optimistic about the general trade revival in the coming year which will considerably increase earnings of the railways. I should like to point out to him that now is the right time to help the agriculturists of the Punjab whose pitiable condition is no better than what it was last year. A lot can be done to raise prices of agricultural produce by lowering freight on the Punjab and the United Provinces wheat so that it could compete with foreign wheat at the ports of Bombay and Calcutta. I was glad to note in his speech the other day that the East Indian and Bombay, Baroda and Central India Railways have reduced their rates for Punjab wheat, but this reduction has not stopped its carriage by sea *via* Karachi to Bombay and Calcutta. We are thankful for the reduction made on agricultural produce, but we expect reduction to a still larger extent.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Mr. Chairman,

"Happily we may with some justification hope that the clouds are at last beginning to exhibit signs of lifting. The steady enlargement of our goods traffic is an indication that trade and confidence are beginning to revive. We can at least face the coming year with renewed hope and lighter hearts".

"Not only are the results of this year likely to be considered better than last year but the prospects for next year are such as to encourage at least a spirit of restrained optimism".

\*Speech not corrected by the Honourable Member.

These quotations from Sir Joseph Bhore's speech on the Railway Budget in the Assembly and Sir Guthrie Russell's in the Council of State make explicit the financial position of Railways in India. "Better times ahead" such is the theme of both the speeches which prove to be a patent mixture of optimism administered to those suffering from the unfounded pessimistic fever that the day of railways is over. Though the era of deficits, which began in 1930-31 with Rs. 5 crores grew to Rs. 9½ crores in 1931-32 and reached its height in 1932-33 with a figure of Rs. 10½ crores, has not yet ended, yet Sir Joseph Bhore is justified in assuming from the trend of trade movement that the peak of depression has been passed and is looking forward to the coming year with a certain degree of optimism in spite of

"the distress of unparalleled magnitude caused by the terrible earthquake and the breach of one of the protective works on the Hardinge Bridge by the vagaries of the Ganges".

We understand from the comparative statement of Sir Guthrie Russell that Indian Railways are not only financially sound but are efficiently managed as those in other parts of the world. The general public will undoubtedly welcome the intention of the railway authorities of attracting traffic by cheap fares and improved service. I would like to draw the attention of the House and the railway authorities to the plain truth that if there is need for reduction in passenger fares greater is the need for reduction in freight. I am fully aware that

"the barometer of railway earnings is not yet set fair",

and that their passenger receipts have fallen off with an increase in goods earnings, and as the attention of this House was already drawn last year, I would only urge on the railway authorities the necessity of devising methods to bring the freight rates to a normal state. I must in this connection also point out that the South Indian Railway did something to reduce their freight on the export of paddy from the southern districts last year and I hope still further concession in freight will be granted.

Labour will certainly welcome the news that the Railway Board does not look with favour upon any block reduction of staff as Sir Guthrie Russell himself very emphatically points out

"there is one thing that I am particularly anxious to avoid and that is the further block retrenchment".

Last year I drew the attention of this House to the ineffectiveness of the Advisory Committees in view of their not having a separate allotment to meet the needs of the public and hope fervently this year that the railway authorities will address themselves to this dire need and make the Committees more useful links in the railway administration.

Before I conclude, Sir, I should like to say that I join with my friend the Honourable Mr. Suhrawardy in pointing out that in the servants' compartments attached to the bogies of first and second class compartments latrine arrangements should be made. I noticed this morning that the compartment occupied by my servants had no latrine arrangement. I hope it will be possible to attend to this as early as possible. I must say that so far as third class passengers are concerned their comforts are being attended to now and I do not think that we could say that nothing has been done in that direction. The only thing I feel is that more

[Diwan Bahadur G. Narayanaswami Chetti.]

facilities might be given for the compartments occupied by servants. The question of improvements to the third class might be taken up later on when the financial position improves. I am quite content with the present position.

Let me in conclusion point out that if railways are to prosper they must improve their services, cheapen their rates both for passengers and for goods and curtail their expenses as per the suggestions of the Pope Committee, and the speeches of Sir Joseph Bhore and Sir Guthrie Russell clearly indicate the striving of the authorities concerned towards this end. I would like to join hands with my other colleagues in congratulating Sir Joseph Bhore on the efficient administration of the railways and I would also like to commend the work of the other officers concerned who under limitations were able to administer the railways during the year under report to the entire satisfaction of the public.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab: Nominated Non-Official): Sir, I will just say a few words. My Honourable friend Rai Bahadur Lala Ram Saran Das made certain remarks regarding communal representation. If I remember correctly, they were to the effect that when dealing with this question of communal representation all the posts and all the cadres and classes of services should be taken into consideration. I hope, Sir, that my Honourable friend did not mean that if a particular community held a very large number of posts in the officer class than their due share it should be considered justifiable and fair if the other communities had similarly a large number of posts of gate-keepers, pointsmen and ticket collectors. Sir, it is only fair that the representation should be in all the different classes of services respectively. Communal representation, Sir, may not be a desirable principle, but in the present circumstances of India it is unavoidable. If this principle is totally ignored, the apprehensions are that dissatisfaction will be spread amongst certain sections of the population and serious consequences might follow.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: On a point of personal explanation, Sir. What I said was that as the Government have adopted the principle of communal representation, that should apply to the total of all the employees. Let there be two cadres; one separately for officers and the other for subordinates and other employees taken together including workshop establishment.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON: I am quite satisfied.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhim-madan): Sir, the Honourable the Commerce Member has had a shower of congratulations yesterday in the other place and today in this House. But I am not going to join in the chorus of praise. This does not mean that I do not appreciate the great services which the Department as a whole and he as the officer in charge of it have rendered to make this a more successful undertaking. Sir, the general discussion of the Budget is usually utilized as an occasion to ventilate all the grievances of Members and such a huge number of subjects are brought forward that it is difficult, if not impossible, for the Honourable Member to reply to

each and every item that is suggested in the speeches of the Members. Sir, this happens in both the Houses, but with this difference that in the other place they have a chance of moving token cuts and thereby bringing particular grievances to the notice of the Railway Board and getting such satisfaction as they can get, while this House has not the opportunity of bringing particular items to the notice of the Commerce Department and the Railway Board. I would therefore suggest, Sir, that it would be a good innovation if points from the speeches of my Honourable colleagues were collected by some of the officers of the Railway Board, tabulated, referred to the people concerned for their opinion and then forwarded to the Railway Board and the Commerce Member in due course and afterwards when the report of the Railway Board is being prepared those points and suggestions which are found to be useful and practicable could be incorporated in the Railway Board report, just as at present the system in the Railway Board that if a Resolution is brought forward in regard to any matter concerning railways then it finds a place in the Railway Board's report. But all the suggestions which we make in this House seem, for 364 days in the year, to lie in the waste paper basket. Still all of a sudden once in a year we again rise up and make an outcry but with the same result. That is why I make this suggestion; because I quite appreciate that it is impossible for the Honourable Member to reply to the points made by us and I do not wish that our suggestions should be relegated to the waste paper basket.

Sir, a Department so large as the Railway Board which has to look into the affairs of the whole of India, cannot be expected to exercise the same amount of care and the same amount of direct control as a small concern. There is bound to be some decentralization and the authority who is going to have the final word cannot be the Railway Board. They have to delegate their powers to people on the spot. Well, it is good for the management of the Railways no doubt that this should be so. But there are also disadvantages in the system. Too much work is done without the authority or the knowledge of the central executive. This results sometimes, Sir, in different policies being followed at different times and in different places. For instance, the control of the divisional system type prevails in our part of the country on the East Indian Railway while in other parts we have the District Traffic Superintendents controlling all three departments of traffic, coaching and commercial. Here are two kinds of control. We cannot understand, Sir, why if one system is better than another it is not adopted throughout the Railways of India. This means that there is no authority to look into the different merits of the different kinds of systems that are prevailing on Indian Railways. It is co-ordination which is required and as they have got a sort of standardization for their material, I hope they will have a standard form of control also.

Sir, the Railways in India are in the peculiar position of being a sort of State property. Railways are also under State control in Germany, for instance, but there they have only one form of control. Here we have company-owned and company-managed railways, State-owned but company-managed railways, State-owned and State-managed railways, and even railways where the property is owned by a company but the management is in the hands of the State. All these things contribute to friction and there are times when the drawbacks of one system as compared with another are so great that it is difficult for the central authority to exercise the control which it should.



[Mr. Hossain Imam.]

While I am on this subject, Sir, I should like to call the attention of the Commerce Member to a subject closely connected with it. In his speech in another place he made some reference to the Statutory Railway Board which is going to be constituted. I think, Sir, that is a subject of such vast importance and one in which people are so greatly interested that it is not right that we should discuss that subject now when we can only make a passing reference to it. I would therefore request the Honourable Member as well as, in the absence of the Leader of the House, the Deputy Leader, to give us a day when we can discuss the Statutory Railway Board. Its effect on the whole system of railway management will be so great and the change will be of such magnitude that it deserves a day to itself. Therefore, Sir, I am not going to discuss that subject now.

Mr. Chairman, looking at the financial aspect of the Railways, I am rather troubled to see that, with the first turn—though not to prosperity but to adversity being reduced—relaxation seems to be apparent in the stringent control which was being exercised formerly. I am very glad that for a year or two the Railway Board exercised a great amount of control. They were really in earnest to reduce expenses as far as possible but even with a deficit of Rs. 7½ crores or, as I should rather say, a deficit of Rs. 12½ crores—if we take into account the contribution which the Railways ought to make and are not paying—it becomes a huge deficit, even then there appears a relaxation of control. The Railways in India have been under the present kind of management from 1924-25 when we had a separation of the Railway Budget from the General Budget. At the time of the separation, we had 27,324 miles of combined railways. At the end of 1932-33 we had 31,892 miles. So that within this period 4,568 miles have been added to the combined mileage of the Railways. But I find from a note on page 17 of the Railway Board's report that Rs. 100 crores have been spent on improvement of open line facilities. This addition to the capital charge which cost us nearly Rs. 5 crores was made not to increase the earning capacity of the Railways which is the primary concern of a business, but, as the words imply, it has been more or less in anticipation of improvements which have never been realized. I will give an example. Recently, only two or three years back, there was doubling of the Tundla-Etawa section. There is a continuous decrease in the goods and passenger traffic and yet doublings and strengthening of bridges are going on, and coaches and wagons are being added to the present stock. Why? Because it was thought at the moment that it was cheaper to get money and that therefore you can get things at a cheaper price. No doubt it is perfectly true that in days of falling prices you can get things cheaper. But if you add up the loss of interest, it will more than equal the amount of money which you would have spent if you had undertaken it in a rising market. Purchase in a falling market is a thing which business men usually do not enter into unless they are sure of their facts and figures justifying immediate return. Any expenditure which is not directly remunerative can very well be postponed during the time of falling prices. I will quote one instance more which I have been able to gather from the Report of the Railway Board. I find that the wagon mile per wagon day of goods wagons has decreased consistently from 37·9 in 1929-30 to 30·5 in 1932-33, which means a reduction of something like 19 per cent. in the utility of the wagons.

(At this stage the Honourable the President resumed the Chair.)

This means that we have got wagons which we cannot utilize and that wagons are lying idle. We could have used these wagons more often. It might be said that some of the wagons are unusable and therefore the wagon mileage has fallen. That is refuted by the facts and figures in the Railway Board Report which says that the actual expenditure on the repairs of the wagons has considerably fallen from 1931-32 to 1932-33. There is a palpable difference of about 10 per cent. in the cost of repairs of these two years. It may be said that it is due to the efficiency of the Railway Board that the cost has fallen, but that does not show that the wagons are used more. Last year, when the Honourable Member placed before us a programme for purchasing 2,500 more wagons, we protested, and this year too I should like to enter my emphatic protest against the policy of purchasing these goods wagons and passenger bogies because they also are in excess of requirements and are not being utilized fully. I find that the Pope Committee has also recommended something on these lines.

Here I wish to reiterate that it has been my misfortune to complain  
 3-5 P.M. always that Government are anxious to appoint Committees but they are slow in acting up to their recommendations. The Pope Committee was appointed with a flourish of trumpets, but in the whole of the report and in the speech of the Honourable Sir Guthrie Russell I could not find what action has been taken on their report with the exception of job analysis which is going on. This was not the direct contribution of the Pope Committee alone, but this had already been recommended by other Committees. Six or seven recommendations of the Pope Committee are tabulated in the Railway Board Report but there is no mention of what action has been taken on them. One of these is better use of locomotives. The cost of repairs to the locomotives, I find, has fallen from Rs. 12,050 to Rs. 10,700. The steam engine mileage per engine per day also has fallen in the year 1932-33. This shows that engines are not being utilized. Additional engines are bought and, as the Honourable the Leader of the Opposition has pointed out, the engines are lying in the sheds because no use can be found for them. We are purchasing more engines than we require. Naturally the older engines will be the first to be scrapped. Some of the Members will remember that I asked some questions last year about the way in which these scraps are being utilized. We were told that it would entail too much labour to find out exactly what money could be realized from these scrappings. This means that they cannot say how much money is realized from the scrapping of an engine. The Pope Committee has recommended something on these lines. They recommend improved workshops practice and use of scraps, compilation of costs data, etc. There is no doubt that the economy campaign that was carried out has exhausted the avenues as far as it could go. But all this only on the fringe. Now we have to deal with the technical side. You have to work at it on scientific lines, as I said yesterday. Every item of expenditure of the Railways has got to be looked into and a saving has to be effected. If we were to save even one anna per mile per day, that would yield us about Rs. 8 or Rs. 9 lakhs. That shows the immensity of the task before the Railways. Every pie that is being wasted costs us not hundreds and thousands but lakhs. It is therefore necessary that the recommendation of the Pope Committee which has suggested careful looking into all the details of the Engineering Department should be very thoroughly looked into. Here I should like to make one suggestion which may not be very palatable to the Railway Board and that is that non-officials—and by non-officials I do not mean Members of the Assembly and Council of State only

[Mr. Hossain Imam.]

but also people outside who know this job and who are not connected with the Railways—should also be connected with the enquiries that they make.

In the case of the Sara Bridge affair, it would have been better if local talent had been consulted before it was too late and we found ourselves face to face with this catastrophe which requires Rs. 1½ crores to repair.

The other suggestion of the Pope Committee was about more careful listing of surplus stores, equipment and accommodation. This also calls for a great amount of care. The renewal programme, for instance, costs Rs. 60, 70 or 80 lakhs and sometimes Rs. 2 crores. It is a very costly affair. But how do we deal with surplus stock? It has actually been sold in the market at rates cheaper than iron—good mild steel which could be turned out again if it were sent to the milling shops. It is sold at an uneconomic price simply because there is no centralization of control and disposal of stocks.

As far as accommodation is concerned, we find that the number of first class passengers is decreasing, and that is also the case as regards second class passengers. The tables in the Report of the Railway Board illustrate the position very graphically. But still the construction of first class compartments is going on. If you compare the seating accommodation in the carriages already in use with the number of passengers carried, you will find, at least for the first class, four to five times the number of seats to passengers carried.

Better use of railway lands is another suggestion of the Pope Committee. That suggestion also in a country of such vast dimensions as India is worth looking into. If a programme of development of these lands could be made it would surely give us a good return in our economic campaign. Sir, it is as necessary to increase income as to decrease outgoings. By both means you can balance the Budget. Then, economy through amalgamation of railway systems was suggested as one of the means of curtailing expenditure. This has been shelved by the authorities to a time which will come after a generation when other railways are bought over by the Government and become controlled railways. We know that the earliest option in this regard will not arise till 1950. We have no option till then except for the small Bengal North-Western metre-gauge system. Options on the bigger railways will not arise earlier than 1950. To defer this urgent question of amalgamation shows the change in the mentality of the authorities; there is not the same anxiety to curtail expenditure as ought to exist. Apart from the question of amalgamation, there is the technical aspect. Even if we continue to have different systems of railway administration, there are departments which can easily be amalgamated, for instance, the medical departments and others. There is also the possibility of the Commerce Department and the Industries and Labour Department co-operating in this way that both can take over parts of the telegraph engineering branch. One section can be controlled by the one authority, or they may have a joint board to control this sort of thing. These are some of the ways by which overhead expenses can be reduced, and it is only in these directions that we can find room for economy. All spectacular ways have been exhausted. Last year some of us made an appeal for the abolition of the Railway Clearing Accounts Office and this year also my Leader has suggested abolishing it. As he said, it is a white elephant which does not add a single penny to the income of all the railways taken together. It

is simply a department whereby you distribute what has already been acquired to different tills, the Government being the owner of the majority of these. It is really a sheer waste of good money, just to find out what money I owe to my friend and my friend owes to me, while both of us have to pay the *mahajan*. It would be quite feasible to make an equitable arrangement, say, for three years, under which a certain proportion of goods traffic could be transferred from one railway to another, and the position could be examined at the end of three years. Rs. 16 or Rs. 18 lakhs are being spent on a department which pays us nothing—a sheer waste of public money.

Sir, it was suggested that coal contracts should be looked into by the Railway Board and they should not be given as they have been. It is really a very good suggestion which has the support of the country. May I also suggest to the Chief Commissioner for Railways that he should consider the claim of the provinces in which his works are situated, so that the people of the province concerned may get the contracts in their area for raisings, construction works, and materials of all kinds required by the railways. That would greatly contribute towards a better understanding between provincial interests and the centre. One of the reasons why there is so much rail-road competition is because the people look upon the railway system as a thing apart; it does not concern them; they find no place in its economic scheme; the Railway Board might as well be a Board of Directors in England, because in Delhi they are just as remote and impervious to the concerns of the local populations. I therefore wish the Railway Board to identify the railways more closely with the interests of the people in the provinces. That would have a very good effect and bring the provinces and the centre into a closer relationship.

Then I come to a thing which is a little staggering. I refer to the Hardinge Bridge. I was going to refer to it as the scandal of the Hardinge Bridge, but I am not going to use that word. Sir, the Hardinge Bridge was constructed in 1915. In 1924 danger first threatened and in 1930 we had the first serious warning that something must be done. But nothing effective was done. The second warning too was unheeded, and then came the great calamity. On the 26th September, 1933 the forces of nature, uncontrolled and unstopped by human agency, proved too great for this handiwork. It is surprising that in the Finance Committee Report we find the words:

"Although no one witnessed the first breach which occurred in the early hours of the morning, there were a number of witnesses who saw the manner in which breaches in the embankment behind it were rapidly enlarged during the course of the day".

It is surprising that after being twice warned that this bridge was in danger, that the guide banks are in danger, no arrangements should have been made to safeguard against erosion. It is the usual custom in regard to bridges of this kind which are liable to damage, where the river is likely to change its course suddenly, that gangs are maintained, stones are heaped up and a subordinate or Executive Engineer is deputed to be on the spot, and especially so during the rainy season when the river is likely to be flooded. We find that the Ganges is simply trying to revert to its old channel of 1868. It was expected that there should have been some sort of emergency arrangement to stop the gap developing further. In the centralization of work, as I said, too much work is left to the tender mercies of the men on the spot and it is for this reason,

[Mr. Hossain Imam.]

Sir, I suggest that there should be a thorough enquiry into the question of the bank, the negligence of which is causing us a loss of Rs. 140 lakhs. Rs. 104 lakhs is the immediate estimate and in addition to that the Railway Board has very kindly told us that Rs. 35 lakhs more will be required for filling up the gap; not immediately but in the future. I find it strange that even after spending Rs. 104 lakhs and with a probable cost of Rs. 35 lakhs more we are told that even then it is not safe. They have given us a third estimate of Rs. 20 lakhs which will be required for the ferry service. I admire their courage in having frankly stated that after all these steps which we are going to take we are not sure of the position. But may I ask, if they are not sure even after spending Rs. 140 lakhs that the thing will be safe, why ask us to throw good money after bad? Either we should be sure of our position and know for certain that we—

THE HONOURABLE THE PRESIDENT: The Honourable Member must give some credit to the Engineers that they will not spend the money unless they know that it is absolutely necessary.

THE HONOURABLE MR. HOSSAIN IMAM: That is my complaint. I will read out from the Report of the Standing Finance Committee:

"Although it is expected that the repairs to the damaged guide bank and the additions and alterations to other portions of the protection and training works of Hardinge Bridge will stand any 'ordinary' attack, which the river might make during the flood season. . . . It is considered essential that the Railway Administration should be prepared to deal with the emergency which may arise if expectations are not fulfilled, and the river makes another abnormal attack, such as it made last September, resulting in further serious damage to the repaired guide bank followed by damage to the bridge itself or its approach, . . ."

They want to have the ferry service also prepared. The reason is the forces of nature are too powerful—just as no one could stop the ravages of an earthquake. It is almost impossible to say what the Ganges will do. It is too mighty a river to be controlled by puny human beings. I think it would have been better if instead of spending all this money in unremunerative works of construction if a better alternative arrangement could be made. It may be possible to divert part of the Ganges water above the Sara Bridge to the old Western Bengal rivers which are dying. We would then be doing a real service to the country and we would also get a contribution from the Provincial Government. That would have been a real treatment or a better treatment than the present one. There is no co-ordination between the Provincial Government and the Railways. That is one of the reasons. It is too big a river for the Railway to take up alone and it is too big a river for the Bengal Government to take up alone. While I am on this subject I should like to say one word more about the development of the lines lying on the railway sides. One of the things is that the land should be fenced. In most of the railways I find the land is fenced, but there are little portions on main lines where fencing has not been put up, entailing danger to life as well as loss to the Company.

Indianization is a question which crops up every year and in regard to which we always get a stereotyped answer. So is the fate which meets with communal representation of the different communities. These are, as a Member very graphically pointed out during the general debate on

the General Budget, hardy annuals, which always crop up. Out of ten officers who have been appointed this year, only four are native Indians. By native Indians I exclude statutory Indians. Especially in the traffic and transportation branch the Indians are very rare. It would be in keeping with the spirit of the times if the Government could look into the question of Indianization more seriously. I also wish to say a few words about the controversy which arose between my Leader and the nominated non-official Member from the Punjab. Sir, it is idle to expect that in the present mentality of India we can think in terms of Indians alone. Our interests have become so divergent on account of place-hunters and people who have got their own sectional interests that it is difficult to ignore them. It may be an evil, but it must be looked into and cured. As my Honourable Leader very pertinently pointed out he never meant that the services should be taken except by classes. But the real question he put was whether the rumour that 20 per cent. of the officers' rank is going to be given to Europeans and 7 per cent. to Anglo-Indians is correct. That was the gist of the question. He did not want to deal a blow in the back to the Muslims.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON: I am glad to know that.

THE HONOURABLE MR. HOSSAIN IMAM: There was the system of coupons ticket, Sir, given to commercial travellers. This was a very good innovation and wherever it has been adopted it has done a very great service to the industries of the country. As I said the other day, industries must be supported in each and every sphere where they can be supported if we wish them to prosper.

Then there is a suggestion, Sir,—though I am not sure of my facts here—but there are places where railway tickets and tram tickets are given together. It would be a good thing if such things could be started in other parts also.

In conclusion, Sir, I would like to appeal to my Honourable friends not to be elated at the prospects of this closing year but to remain as vigilant as they have been formerly if they wish that Railways should be working as a sound concern.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I congratulate the Honourable the Railway Member and the Honourable the Chief Commissioner for presenting us with a dark picture in bright colours. I say a dark picture in bright colours because since he took up office as Railway Member he has been faced with the difficulty of presenting us with a deficit Budget. Another thing is he has not been able to contribute to general revenues from the earnings of the Railways so that if he had contributed the general taxpayer would have been relieved of the burden of over-taxation. However, Sir, circumstanced as we are, we have to take it and we have really to congratulate him for the efforts he has been making for the curtailment of expenditure in the Railway Administration and the running of the Railway Administration on commercial lines. I would further suggest to him, Sir, as suggested by the Leader of my Party and Rai Bahadur Lala Mathura Prasad Mehrotra, that he might seriously consider the question of deducting from the Railway Budget the amount that is spent for the running of strategic lines. If I understand the position rightly, Sir, the strategic lines are

[Mr. Vinayak Vithal Kalikar.]

being run in the interests of the Army Department and if that is so, if that amount had been debited to the Army Department the Railway Budget would have been relieved of, say, Rs. 2 crores of the deficit which the Honourable the Railway Member had to face in presenting his 1934-35 Budget. I do not agree with my friend, Sir Kurma Reddi, that it is merely a transfer of a book entry. The Honourable the Railway Member, Sir, in his speech in the other House has informed us about the changes that he has made in the procedure of framing the Budget of this year and those changes according to him are made on the authority of Sir Arthur Dickinson. I submit, Sir, that if the Railway Member takes into his mind and seriously considers this point about relieving the Railway Budget of expenditure on the strategic lines he will be able to find some authority and he will thereby be able to relieve this Railway Budget of the deficit to that extent.

Then, Sir, we find that the retrenchment that has taken place and the measures that are being adopted for curtailing the expenditure in the Railway Administration do to some extent inflict suffering on certain employees in the Railway Administration. My suggestion is this, Sir, that if retrenchment is at all necessary I would suggest that instead of curtailing staff and dismissing men, economies might be effected by a cut in pay. I make an appeal on behalf of the railway employees that in these days of depression if their services are dispensed with, it is very hard for them to find employment and to maintain their families. I agree with him that retrenchment is necessary but if there is necessity, Sir, it is better to have a cut in the salary instead of totally depriving them of their jobs.

Then, Sir, my Honourable friend, the Chief Commissioner, has told us that there has been a stimulus in goods traffic but passenger traffic is not as hopeful as they anticipated. I submit, Sir, that if the system of giving concessions and reducing fares that prevails on the North Western Railway is also introduced on other Railways, I am sure that they will see that the passenger traffic will be stimulated. It all depends, Sir, on the purchasing power of the population of the country as a whole. It is admitted that the purchasing power has gone down. So if that experiment is also tried on other lines I hope their anticipations will prove correct and they will get more passenger traffic.

Now, Sir, about the surcharge of coal. My friend the Honourable the Chief Commissioner of Railways stated that he could not find his way to remove that surcharge. I submit, Sir, that had you been with us to discuss this point you would have enlightened him on this question. Fortunately or unfortunately, Sir, you have taken a different rôle and therefore it has fallen on a layman like myself to ventilate that grievance. In the Central Provinces, Sir, there are so many collieries. The complaints of the colliery owners are that on account of this surcharge they have to pay more and thereby not only are their earnings less but they do not gain sufficient profit.

THE HONOURABLE THE PRESIDENT: It affects Bengal much more hardly.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: It affects Bengal, Sir. It also affects the Central Provinces people.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** Very slightly.

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR:** That is the complaint that I have come to know of. If it really affects Bengal, I shall be glad if that surcharge is removed and the Bengal people also are relieved. My point is that if this surcharge is removed, you will be able to help the industries and trade of the country to some extent.

I also join in the demand made by several Honourable Members about giving more amenities to third class passengers. I do not want to bring to the notice of the House individual complaints but I really appeal to the Honourable the Commerce Member to come to the rescue of third class passengers because he gets more income from third class passengers than from higher class passengers. I have myself seen third class passengers drenched with rain in third class compartments. I have myself seen third class passengers being huddled together like cattle in compartments. These things deserve careful consideration at the hands of the Railway authorities and I hope that the appeal made by Honourable Members here will receive favourable consideration.

One more point, Sir, and I have finished. I appeal to the Honourable the Railway Member to try his utmost and purchase the materials for the Railways as far as possible through the Indian Stores Department and also to purchase materials manufactured in India. I make this appeal in the interests of India as a whole. I may tell him that according to his wishes we passed only yesterday a Bill wherein he wanted to give more protection to certain Indian industries. It is now my turn to remind him of it and request him to see that the materials used in the Railways are purchased through the Indian Stores Department and that the materials purchased are those which are manufactured in India.

With these few words, Sir, I resume my seat.

**THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official):** Sir, I think the House is too tired to listen to any long-winded speech and I do not propose to make any. The only thing that I want to say about this Railway Budget is that the shower of congratulations which the Honourable the Railway Member and the Chief Commissioner of Railways have received from the various Members of various Parties was very well deserved. Although the Budget as presented is a deficit Budget, yet the hope expressed and the optimism displayed certainly give us a stout heart. If I may say so, Sir, the publication in this morning's paper about the railway earnings certainly lends colour to the optimism that has been displayed by the Honourable Sir Joseph Bhore and my friend the Honourable Sir Guthrie Russell. But on the other hand, who can take account of the acts of God or the convulsions of nature? We had rather a good Budget, if I may say so, but for the fact that the vagaries of the sacred river Ganges and the convulsions of the earthquake have reduced our anticipated profits. Much has been said about the Hardinge Bridge by both the Leader and the Deputy Leader of the Opposition. I think, Sir, that no one need tell them that it is beyond human power, beyond the calculation of engineers and beyond the calculation of the Railway Department or the Railway Member whether the Ganges would change its course and whether that change will be severe on the Hardinge Bridge or whether it will be soft.



**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** This danger arose as far back as 1924, and has been since then on the increase.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** Whether it was in 1924 that it began, whether they knew that this change would happen, whether, if they spent the money which the railway authorities wanted to spend, be it big or small, the expectations will be fulfilled or not, these are on the knees of the Gods and I do not think any useful purpose will be served in suggesting that the railway authorities should take much more care. I think you can give them credit to this extent that they did take all possible care. But even that possible care may not be enough.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Not in this case.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** Then, there is another thing. I must say that I was a bit surprised when Member after Member addressing this House today had all sorts of suggestions to make, handicapped as they were and without particularly knowing the inside administration of an office concern such as the Railway. I should say that every one of us feels handicapped in making suggestions off-hand. It is no wonder if either the Railway Member or the Chief Commissioner, whoever the authority might be, cannot possibly carry out all the suggestions that we make off-hand at this place. But we are allowed, Sir, under the constitution to go on airing our grievances, and air our grievances till we are sad and sick at heart. It reminds me of a story I heard and that was that a crowd of people found that a very big, burly navvy, about 6 feet 6 inches in height, was being beaten by a puny little wife. They all said, "Why are you allowing yourself to be beaten?" and the navvy replied: "It does not hurt me; it pleases the missus". It is just like that. I am not surprised at the attitude of the Government in this matter.

Coming to the Budget itself, Sir, there is one point which struck me when I read through the speech of the Railway Member in the Assembly, namely, the change in the basis of the accounts. Sir, there have been frequent changes and although this has been done on the recommendation of Sir Arthur Dickinson, I should have thought that it really hampers us in having a comparative study of the figures. It becomes almost impossible for us to follow the comparative study of the figures if the basis of the accounts is changed. But of course, if this is continued for a long time, I think we shall be able to have the comparative study later on.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** But at what cost?

**THE HONOURABLE MR. BIJAY KUMAR BASU:** Well, it would be a very big cost indeed. That is my complaint. The second thing I find is that an analogy has been sought to be drawn between the Railway Administration and a private company. This is not a new analogy. If I remember rightly, it was Sir Charles Innes who when introducing his Railway Budget in the Assembly years ago said that he was in the position of a Directorate presenting the annual general report to a body of shareholders, namely, the Assembly. So the analogy is perfectly all right. But

I find that Sir Guthrie Russell thinks that he could have declared a dividend of  $3\frac{1}{2}$  per cent. on the capital, forgetting all the time that the whole of the capital was borrowed capital and interest at a very high rate, higher than  $3\frac{1}{2}$  per cent., has to be paid. No Company could have declared a dividend of  $3\frac{1}{2}$  per cent. with all that borrowed capital. Secondly, I think the imagery is only possible and that  $3\frac{1}{2}$  per cent. even can be calculated at the utmost computation because the money that has been raised for the carrying on of the Railways is not exactly on the Railway properties alone. It is on the assets of the whole of the Government of India. If the capital had been raised only on the property of the Railways surely you would have to pay a much higher rate of interest than you do at present.

Then, Sir, as regards the depreciation fund, I do not think I can improve on the remarks that fell from my Honourable friend Sir Kurina Reddi. I feel as well as he that the handling of the depreciation fund in the way that is being done is not desirable. But at the same time I feel that that is the only possible way to balance the Budget. Whether it is possible for the Railway Administration to pay back the money to the depreciation fund at the rate of Rs. 15 lakhs is more than I can say. As we have seen, there are natural forces over which human beings have very little control. Expenditure might go up and revenue might fall down, and the expected contribution back to the depreciation fund may not materialize.

Then, Sir, before the depression began, as we all know, large sums were spent on capital expenditure because at that time we had a series of prosperous years. And whenever a new project was floated we always calculated what that particular project would bring in by way of a return. That was I think done in all cases. But now we find it is not possible to distinguish the particular items on which those big capital sums were incurred or to find out whether those particular lines or extensions or works have or have not really paid what we expected them to pay.

Then the question of Indianization of the services was raised by Mr. Hossain Imam. In regard to that I think Mr. Hossain Imam wanted to exclude Anglo-Indians who are called euphemistically statutory natives of India, and he meant by the term Indianization to include only those who are—I do not know how to describe it—natives of India minus the Anglo-Indians. I do not really understand why that attitude should be taken up. They are as much the children of the soil as we are. If they are better fitted for posts, why should they not get them? If they are not, they ought not to get them. The whole idea of employment should be based on efficiency and efficiency alone. It does not matter whether a man is brown, black or white. The whole thing is that you have to see whether a man is efficient or not. After all a railway company or any other company is not a philanthropic concern. They have got to see that they get their money's worth. If you get your money's worth by employing a Muhammadan, then do it. If you get your money's worth by employing an Anglo-Indian, do it. All that you are concerned with is to see that you get full value for your money.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** Do away with communal representation then.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** I wish we could do it. But at the present time, if I may say so, we have fallen on evil times and this communal representation has got a grip on us. It is not for me or you, the Leader of the Opposition, to drive it out of the land. I wish we could and there would then emerge that Indian nationality which knows no communalism or difference in race or creed.

**THE HONOURABLE RAJA CHARANJIT SINGH** (Punjab: Nominated Non-Official): Sir, though our hopes for a balanced Budget have not been realized as yet, still it is very satisfactory to find that our anticipation of an increase in goods earnings have been to a large extent justified. Last year the deficit was about Rs. 10½ crores. This year, in spite of the damage done by earthquake and flood, it has been reduced to Rs. 7½ crores, and in 1934-35 a further reduction of nearly Rs. 2½ crores is promised. I hope, Sir, that this era of declining deficits will continue and that it will not be long before the Honourable the Railway Member is able to present not only a balanced Budget but a surplus Budget. Under the present circumstances it is not possible to expect any increase in passenger earnings. Due to economic depression and road competition the natural tendency is to choose the least expensive mode of travel. I am glad to find that the Railway Board is alive to this aspect of the question and has made a beginning by reducing certain fares on the North-Western Railway. I congratulate my Honourable friend Sir Joseph Bore, whom I am glad to see here today and Sir Guthrie Russell on this wise decision. I hope the response will be encouraging enough to justify the same policy being adopted by other Railways.

**THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER** (Madras: Non-Muhammadan): Mr. President, I want to say a few words and would like information on just a few points from Government. I shall not take up much of the time of the House at this late hour. Much has been said about the unemployment problem on the Railways. Sir, I have some personal knowledge of workmen who have served the Railways for a very long time and who have been put out of employment in hundreds in the Coimbatore district where the workshops have been re-modelled. We can imagine the feelings of such people, with big families to support, who thought that their position was quite secure because they were employed in a Government concern—railway service being like that of a Government department—when they have been suddenly thrown out of employment. Unfortunately those people are running over the whole province from place to place without jobs. How much these people suffer God alone knows. Experienced people with training in technical lines have been thrown out of employment in this way. I heard the same thing in the Railway workshops at Perambur in Madras where people had to suffer a lot on account of unemployment. No doubt necessity has forced Railway Companies to reduce staff, but in such cases could they not give some relief? Could not some arrangement be devised whereby such long service men could be absorbed?

In comparing the railway position the Honourable Member in charge 4.5 P.M. gave us certain figures with regard to foreign railways. No doubt it is an encouraging statement which we are asked to believe, but in comparing this with the Railway Budget we ought to take note of the other factors as well, such as economic conditions, the position

of industries, commerce, etc. These conditions should be the same in our country when figures are taken for comparison. Here our position is quite different. We come here just for a day in the year to express our grievances and nothing more. We have our Industries and Commerce Department, the Agricultural Department and so many other departments, but every department is doing its business in water-tight compartments and with diminishing grants. A lot can be done with the help of Railways. The question of the reorganization of the Railways has been tackled by the Pope Committee recently. Economic conditions in the Railways can no doubt be improved through its suggested improvements. But I submit much depends on how the Government in their new Railway policy takes non-official advice and suggestions.

Sir, I wish to say a few words about the transport charges of cotton from Madras to Bombay, which is the only market we can think of. The rates which are adopted by some shipping companies are very favourable when compared to railway rates. Unfortunately those people who buy cotton have got a monopoly of these shipping facilities. This limited number of people take their cotton through ships through the West Coast; but all other merchants, exporters, and other sellers of cotton send it by rail to Bombay. The railway rate works very unfavourably to all these purchasers of cotton, and this ultimately affects the grower. This point we have placed before the Government of Madras some years ago, bringing to their notice the difficulties we are labouring under. Sir, as I said about the railway benefiting other industries, as an instance I would quote the enormous amount of railway freight we have to pay for coal which really goes to help the industry in the southern corner of this vast country. I was told by some of my friends that the Railway Companies in the south are making much more profits than Railway Companies in the north of India which in spite of that give concessions to the passenger traffic and agricultural produce. But it is regrettable to find that the South Indian Railway and the Madras and Southern Mahratta Railway are not giving similar concessions in comparison with the other northern railways, although these companies are earning very good dividends.

THE HONOURABLE SIR KURMA VENKATA REDDI: 8 per cent.

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER: I am much obliged to my Honourable friend for the information.

Sir, with regard to fencing of railway lands, I have got a personal experience to tell the House. In many places traversed by the Grand Trunk Express we find there is no fencing at all. We had a terrible experience one day. A very big buffalo got under the train and then we had a very big jerk. We did not know what was happening. Then within a furlong the train was brought to a standstill under very great pressure. We got down from the train and found the flesh and bones of a big buffalo scattered all over the place. If one or more of such buffaloes came in, it would be dangerous for a train running at a good speed.

THE HONOURABLE THE PRESIDENT: Do you think the Chief Commissioner is responsible for all this?

**THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER:** As regards the development of the land, which formed one of the subjects of economy proposals by the Pope Committee I submit that large areas of the land have been kept water-logged, with thick growth of trees, bushes and grass along a large tract of country on both sides of the railway line which we pass beyond the Central Provinces. These areas can very well be developed to yield something to the Railway Department and at the same time the water-logging nature which is certainly not good for the neighbouring cultivated land and for the health of the locality could also be improved.

Another small point with regard to the railway feeder roads. It is only a small experience which I have come to know personally in this matter. Before then, I have known that in olden days of railway construction the feeder roads and the cross village paths are generally done by the Railway Companies. Now, Sir, the Local Boards are asked to undertake the acquisition of land and then do the railway feeder roads by themselves. I do not know how far a demand of this nature can justifiably be made of the Local Boards, which in my province are suffering very much for want of money. And in village cross roads and village pathways so much inconvenience is caused to the villager. These roads at the crossing point will be passing below the ground level or about 10 feet above the ground level. The Railway Company gives facilities for levelling the road just a few feet on either side only. By that the village people who are using this suffer very much in these level crossing pathways. These are some of the difficulties, Sir, which I want to place before the Government and I make my earnest appeal to the Honourable Government Member and the Honourable the Chief Commissioner of Railways to see that these small difficulties are kindly attended to.

**THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan):** Sir, speaking at this late hour I do not propose to make any very elaborate speech, but before I express my own views I would like to deal with one of the observations made by my Honourable friend, Mr. Basu, and that was with reference to efficiency. Sir, I deprecate, and deprecate with all the emphasis at my command, any suggestion that efficiency is likely to suffer if there is any attempt made to adjust communal inequalities. Sir, there are a sufficient number of efficient men in every community, in every class and community in our vast country, who would be quite enough to take up all the places of responsibility in the administration of the country.

**THE HONOURABLE THE PRESIDENT:** Please confine your observations as far as possible to communal representation in the Railway Department and in connection with railway matters.

**THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR:** The observations that I have made now, Sir, for securing sufficient and fair communal representation for every class and community in India applies with special force to the Railways which more than any other service has got to do with the public. Sir, in view of the fact that Railways are utilized by all classes and communities and this is a branch of service which caters for the needs of all classes and communities in the country, it is highly necessary that in the Railway Administration we should take care

that all important communities and classes are duly represented. Sir, to secure this kind of representation in this particular kind of service cannot but appeal to every just-minded person. No person who claims to be a nationalist who fights for any popular institutions and demands that the rights of the people be secured to them, could take any reasonable objection to the demand of any community to have its fair share in the railway administration of the country. Sir, India is a vast country where we have a heterogeneous mass of population. Every class and community has got its own interest which requires to be quite as much protected and safeguarded as the interests of the nation at large. Sir, any accretion to the strength of the component parts which go to make up the nation is bound to result in additional strength to the whole body politic.

Sir, I join my Honourable friends in congratulating the Honourable the Railway Member and the Chief Commissioner of Railways on the great ability which they have displayed in managing the finances of the Railways. Sir, if the press of the country is any index of public opinion, we see that the people fully appreciate the efforts made by the railway authorities in trying to make the best of a bad bargain. Sir, time was when Railway Budgets brought in large surpluses and contributions from them went to reinforce general revenues. But, Sir, the position has now altogether changed. During recent years the position of railway finance has been far from satisfactory. Not only has the reserve fund been completely exhausted but even the contributions to the general revenues have stopped altogether. And after all, the Railway Department is in a position to carry on only with the help of the large amounts of money which it keeps borrowing from the depreciation fund. Sir, every year the same tale of frustrated hopes is repeated. The income falls short of expectation and the expenditure increases. Sir, it is high time that we tried to find out what the real cause is. We see that the passenger traffic has of late been on the decline. The motor buses are taking away a large part of this traffic and the reason is not far to seek. Sir, the reason for this lies in cheapness, in expedition, in the degree of comfort that is offered to the passenger. Railway fares in India are notoriously high so that if you travel third class on the Railways you have to pay much more than if you performed the same journey by motor bus. There is such a vast deal of difference in the comforts also. It is notorious that more often than not the third class passenger fails to find even standing room in the railway carriages. Sir, such being the circumstances, such being the failure of the Railways to provide even the poorest of amenities to the passengers, is it any wonder that the passenger traffic has been steadily declining?

Sir, there is another point to which I should like to draw the attention of the House, and that is the way in which railway fares have been allowed to continue to get increased. Sir, in spite of the fact that every increase in rates and fares has brought in lesser revenue, the railway authorities could not realize the effect of the law of diminishing returns. They could not realize that the very object with which they introduced enhanced rates and fares resulted in producing consequences which were the reverse of what was anticipated. However, it is refreshing to find that now the railway authorities have realized their error and have effected some reductions in some instances. I wish that they go boldly forward, having launched on this policy, and effect reductions all over the country as they have done in the case of one Railway, so that they could regain their lost prosperity. But, Sir, I am afraid they may not be able to do this, since there are already signs of nervousness visible. We feel that they are

[Saiyed Mohamed Padshah Sahib Bahadur.]

already computing the amount of loss on the North Western Railway as a result of the experiment which they have launched on that Railway. To my mind it looks as if all these apprehensions are totally unfounded. During the brief space during which these rates and fares have been in force, there has already been an increase in passenger traffic. If only the railway authorities are not alarmed at the boldness of the step which they have taken—a step which they should have taken long ago—if only they give this a fair trial, they are sure to set matters right. Now that measures are being taken to stimulate traffic. I would suggest that the system of return tickets may be reintroduced. I would suggest that the concessions which were until recently allowed to merchants may also be revived. I would also suggest that similar concessions may be extended to professional men like lawyers. I would suggest that movement might be encouraged by allowing concessions to excursion parties. Besides these, I do not want to dwell at any length on any other aspect of this question. I would like to say that side by side with the measures for increasing income, it is highly necessary that measures should be adopted to try and reduce expenditure. While I am on this point I cannot help expressing my regret at the extravagances which were indulged in in days of prosperity. I cannot but condemn the sinful waste of money which was involved in re-modelling railway stations, railway yards and sheds.

THE HONOURABLE MR. HOSSAIN IMAM: Hubli is going to be re-modelled this year.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Except for the few waiting rooms that were put up, all this re-modelling was almost unnecessary and more often than not resulted in making it less convenient for passengers, especially ladies and children, to change from one train to another. Sir, one way of effecting this much needed reform in the reduction of expenditure is speedy Indianization. I have merely referred to this point. I do not want to say anything more about it. It is not so much the world depression as the policy in pursuance of which the Railways have been administered that has converted our surpluses into deficits and brought in adversity in place of prosperity. Sir, it is high time that a determined effort is made to improve the present state of affairs. We cannot afford to wait until the depression passes away. It is high time that the Railways began to set their house in order and to effect savings so that a number of new lines might be started in places where the country needs to be opened up.

THE HONOURABLE SIR JOSEPH BHOORE (Member for Commerce and Railways): Sir, may I begin by expressing the thanks of the Department which I represent and of myself for the appreciatory remarks which have fallen from Honourable Members? I can assure them that such appreciation is greatly valued by the staff and it is a great assistance and help in enabling them to face with courage and confidence the difficulties of the future. May I also say how much we value what my Honourable friend Mr. Hubback was good enough to say about the Railway Administration and the assistance which it had given in the terrible Bihar earthquake?

Honourable Members who have been long in this House will, I think, have come to realise the inevitability of some measure of repetition during the course of our Railway Budget debates. Unless Providence in its

mercy opens out some new avenue for discussion, we naturally have to fall back upon what my Honourable friend opposite described as the hardy annuals which bloom from year to year in the gardens of the Legislature. I, Sir, have an additional difficulty to face. I am called upon to reply to two debates on almost exactly similar points in two Houses, often on successive days, and here again, Sir, a measure of repetition is inevitable. I am sure that Honourable Members will sympathise with one who is not gifted with loquacity and who is called upon to face two critical audiences in the course of 24 hours under circumstances such as these. I submit, Sir, that it is evident that the criticism which was levelled against our estimates for the current year, namely, that they had been based on too optimistic a foundation, was without force. True we had no definite grounds on which we could base a confident forecast of a general economic recovery. But indications were not wanting that the ebb of the tide had at last reached its limit and it was upon those indications that we based our estimates for the current year. There was every prospect, Sir, that our receipts would have very nearly come up to our expectations if fortune had not, during almost the last lap, dealt us a blow from which we will probably not recover sufficiently to enable us to make up lost ground before the end of the Budget year. Our railway receipts had begun to show a steady, continued and substantial improvement when the terrible calamity which overwhelmed Bihar not merely stopped that improvement but imposed upon us a set-back which was of considerable severity in the initial stage. Apart entirely from the very heavy capital expenditure which we shall have to incur for reconstruction and rehabilitation, the interruption in traffic will I fear affect our receipts generally for some time to come, though I hope not to any very large or material extent. There is, however, Sir, I venture to think ground for hope. If our traffic is any barometer of economic conditions then the steady and continued rise week after week of our goods traffic may I think legitimately be held to imply that the tide has perhaps turned. Of course it may be yet a considerable time before the flow gathers sufficient strength to be reflected in any very material change in the general economic position. But if we are correct in the interpretation which we have read into our traffic figures, then I submit that those figures carry a message of hope to a sorely tried country which has borne with remarkable fortitude and patience a burden none the less oppressive because of the universality of its incidence. The continued tale of our deficits is often allowed to hide what I have held to be the real strength of the financial position which lies behind it. This is a matter of such importance that I think it will bear reiteration and I hope the House will bear with me if I venture to present the budget figures from a point of view from which they are not normally examined and if I to some extent repeat what I said in another place.

Take the years 1933-34 and 1934-35. We anticipate net receipts in these two years from all sources of 25½ and 27½ crores, respectively. Now, Sir, if instead of allocating to the depreciation reserve the large amounts which we are doing, we only paid in what was necessary to meet our requirements in these two years, we should be able to meet all our interest charges on commercial lines and we should have a balance of 1½ crores into the bargain. That surely is a satisfactory position.

Honourable Members have often in this House expressed very strong views in regard to rates and freights, especially freights for the carriage of agricultural produce. I would like, if I may, here again to repeat



[Sir Joseph Bhole.]

what I said in another place because it is a matter of some importance. The position of the Railway Department is that so long as they are expected to work on a commercial basis, so long must they charge full commercial rates. If Government decide to give assistance to agriculture or to an industry, they hold that that assistance should not be indirect, concealed, vicarious, as it would be if rates were reduced for the carriage of their products, but that it should be direct and open, so that the principle of giving assistance and the measure of the assistance to be given might from time to time be examined and controlled by the Government and the Legislatures concerned. I may say, and I think Honourable Members will remember, that not so very long ago the Punjab Government acted somewhat on these lines. They agreed to make good to the Railway Department any loss that they might incur from the carriage of wheat at certain lower rates. Notwithstanding our general position, Sir, we have as a matter of fact done what we could to help agriculture in the hard circumstances of the day. Honourable Members are aware that on more than one railway lower freights have been quoted for certain food staples like rice and wheat, and I may say that we are examining the question of charging lower rates for certain oil seeds. But from the general policy and the principle which I have enunciated the Railway Department has never resiled.

Now, Sir, let me turn specifically to what has fallen from Honourable Members. My Honourable friend Rai Bahadur Lala Ram Saran Das, whom I am sure we are all glad to see back again safe and sound from his adventures abroad, indulged in a very comprehensive survey in which he covered the world from China to Peru. May I suggest that when a multitude of minor points are raised by a single speaker it is impossible to give him complete satisfaction without neglecting other Members who have also raised points in the course of the debate. However, as my Honourable friend is the Leader of the Opposition, I shall endeavour as far as possible to deal with the major points which have been raised in his speech. Now, I do not follow my Honourable friend in his suggestion that a Committee should be appointed to go into the question of the responsibility for the threat to the Sara Bridge. Far be it from us, Sir, to appoint a Commission to sit in judgment on Providence for action which it has taken in this matter. I think that he will realize that it was really the sudden and unexpected action of the river Ganges in flood—it was attempting to go back to the old bed of 1868—which first raised our difficulties. It is quite wrong to say that when we got the first warning we sat back with folded hands and did nothing. The warning came in 1930-31 and immediate steps were taken. Our consulting engineers were referred to and I think work was immediately started and done to the extent of some Rs. 80 lakhs. I speak subject to correction but that figure is in my mind at the moment.

Then my Honourable friend Rai Bahadur Lala Ram Saran Das and I think Mr. Hossain Imam also were very much concerned on the question of coal tenders. They suggested that the acceptance of these tenders was left to some subordinate. I can assure them that that is not the case. The Railway Board go into all these tenders and no tender is accepted without my express orders. I hope, Sir, that that will meet the point raised by my Honourable friend, My Honourable friend, Rai Bahadur Lala Ram Saran Das, further raised, as I knew he would, the question

of the charges to the Military Department. I can tell him that this matter has now been most carefully and exhaustively considered by the departments concerned and that I am the person who is now responsible for the delay in settling this question. The papers reached me at the beginning of this session and I have had no time to look into them as yet, but I think I have said sufficient to raise the hope that when my Honourable friend raises this question next year I shall be in a position to give him some more definite reply. (Applause.)

Now, Sir, I come to my Honourable friend Mr. Miller and I would like to assure him that we will not come to any conclusion lightly in regard to the Bombay-Sind connection. We recognize the validity of the arguments which he has advanced and I can assure him that the most careful consideration will be paid to those arguments before we come to any decision in the matter. My Honourable friend also raised the question of railway receipts being given the status of negotiable instruments. In order that I may not take up the time of the House unnecessarily, may I refer him to what I said yesterday in another place, in reply to a similar question put by the Leader of the European Group. Sir, I have been sufficiently long associated with my Honourable friend Sir Guthrie Russell to be imbued with a large amount of Scotch caution and therefore, Sir, I will not follow my Honourable friend Mr. Miller further in his suggestion about utilising railway bridges as road bridges for motor traffic.

My Honourable friend, Sir Kurma Venkata Reddi, whom I should like to congratulate on his very eloquent speech, asked when the revised scales of pay are likely to be brought into force and also whether they would apply to new entrants only. I can relieve him on that point at once. They will certainly only be applied to new entrants and they will be applied immediately. Then, Sir, he had some difficulty in understanding how allocations to the depreciation fund are made. Allocations are governed by specific rules and if my Honourable friend is really interested in the matter, I will see that a copy of those rules is sent to him for his information. Then, my Honourable friend desired certain information in regard to contributions to general revenues and to the railway reserve fund. I would draw his attention to Appendix D which appears in this volume, a copy of which I think is already in his hands. If it is not, Sir Guthrie Russell would be very happy to send him another copy. That, Sir, gives details of the Resolution adopted on the 20th September, 1924, which I think will afford him a certain amount of information on both these matters.

It is very evident that my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra is not a business man or he would not have made the suggestion that the experiment we are trying on the North Western Railway should be simultaneously tried on every railway. Obviously, Sir, we are not gamblers and we cannot risk the finances of the railways in what may possibly be a gamble. We are carrying out a large experiment on one line and we hope that that experiment may give us data which may enable us possibly to recast our policy in the future—a policy which would be applicable to all lines.

My Honourable friend Mr. Hossain Imam made a complaint—I think in fact he exonerated me from any blame in the matter—he made the complaint that it was not possible for the Member replying to the debate to cover all the points raised in the course of it. May I assure him on one point, *viz.*, that it is the practice of the Railway Department to go

[Sir Joseph Bhore.]

through the debates of both Houses and to tabulate for examination and investigation all important points that have been made. I can assure him, therefore, Sir, that if I do not reply to any specific matter it does not mean necessarily that it is put into the waste paper basket. Far from it. My Honourable friend quoted as an instance of lack of control which my Honourable friend Sir Guthrie Russell was exhibiting, the duplication of the Cawnpore-Tundla section. May I point out that there is very adequate and sufficient reasons for proceeding with the work. It was found that a single line could not possibly deal with the traffic on that section and it was decided therefore to double it. The fact that apparently there has been a temporary fall in traffic does not, I think, justify my Honourable friend in charging Sir Guthrie Russell with lack of control over expenditure.

As regards locomotives, I would merely say this, that in the year 1932-33 we only bought seven broad gauge locomotives and in the year 1933-34 we bought none, and if my Honourable friend sees on the North Western Railway system certain locomotives laid up, the reason for that is simply the fall in traffic and a reduction in the number of running trains.

Now, Sir, as far as my notes will carry me, I think I have dealt with practically most of the points that have been raised. The last speaker but one suggested that we should fence more of our railway lines. I understand that statistics seem to show that more cattle are killed on fenced than on unfenced lines. Buffaloes being sporting creatures evidently find no sport in trespassing upon unfenced lines but they break in where there are fences to keep them out.

Sir, we are now in sight of the end of one budget year and the beginning of another. We have passed through many weary years of depression and we have some hope that things are about to change. Adversity, Sir, however, has its uses and the lean years through which we have passed may have had their use if they have taught us the necessity of putting our own house in order. We on the Railways are being faced with competition in many forms and from many quarters. It is essential for us to apply our minds to meet that situation and perhaps, Sir, I might appropriately close with an extract from my speech at the last Railway Conference which will give the House some indication of the attitude of the Railway Department towards this question. I then said:

"I believe that co-ordination of transport services is absolutely essential, especially in a poor country like India, if development is not to be unduly or improperly delayed. I am myself by no means pessimistic and hope that, despite the admitted obstacles to co-ordination, it will in some substantial measure be eventually secured. But it is not on co-ordination alone that Railways must rely. I do believe that there is only one sure way in which the Railways can hope to meet the competition which unforeseen transport developments of the future may have in store for them. What these developments will be it is impossible to prophesy today, but for such developments they must be prepared. It is only on the one hand by increasing the efficiency of Railways on the technical and administrative side combined with the utmost economy in working and on the other hand by straining every nerve to increase their utility to the public, that Railways will be able to face a competition that must inevitably grow with the years. Railways can ultimately only ward off the competitive challenge of their rivals if they realise, as I know they do realise, that they must offer something more attractive to the public than that which their rivals can give".

THE HONOURABLE THE PRESIDENT: This concludes the debate on the Railway Budget.

**ELECTION OF FOUR NON-OFFICIAL MEMBERS TO THE  
STANDING COMMITTEE ON EMIGRATION.**

**THE HONOURABLE THE PRESIDENT:** I have to announce the names of Members nominated for election to the Standing Committee on Emigration. They are:

The Honourable Mr. Mahmood Suhrawardy.

The Honourable Mr. Bijay Kumar Basu.

The Honourable Sir Kurma Venkata Reddi.

The Honourable Rai Bahadur Lala Mathura Prasad Mehrotra.

As there are four vacancies and only four candidates I declare them duly elected.

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**ELECTION OF TWO NON-OFFICIAL MEMBERS TO THE STANDING  
COMMITTEE TO ADVISE ON SUBJECTS OTHER THAN  
"INDIANS OVERSEAS—EMIGRATION" AND "HAJ PILGRIM-  
AGE" DEALT WITH IN THE DEPARTMENT OF EDUCATION,  
HEALTH AND LANDS.**

**THE HONOURABLE THE PRESIDENT:** I have also to announce the nominations for election to the Standing Committee for the Department of Education, Health and Lands. They are:

The Honourable Sir David Devadoss, and

The Honourable Sardar Buta Singh.

As there are two seats and only two candidates, I declare these Honourable Members duly elected.

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The Council then adjourned till Eleven of the Clock on Monday, the 26th February, 1934.





## COUNCIL OF STATE.

*Monday, 26th February, 1934.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

### QUESTIONS AND ANSWERS.

#### SECURITY PRINTING, NASIK.

38. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the number of Indians employed in posts carrying a monthly salary of Rs. 150 and above with the names of such Indians and the salary at which they were recruited when the Nasik Government Security Printing was established and the number of such Indians employed there at present with their names and the salary each one is drawing ?

(b) Is it a fact that Government several times made promises to Indianize the higher posts of the Nasik Government Security Printing ? If so, will Government be pleased to state what Indianization they have effected from the date of establishment of the said Printing up to date ?

(For reply, see under question No. 40.)

#### SECURITY PRINTING, NASIK.

39. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the number of Europeans and Anglo-Indians that were appointed at the time of the establishment of the Nasik Government Printing drawing salary of Rs. 150 and above and will they be pleased to state the names of each of such Europeans with the pay of each and the qualifications and previous experience of each for such posts ?

(b) Is it a fact that the higher posts of the Government Security Printing, Nasik, have been made a close preserve for Europeans and Anglo-Indians ?

(For reply, see under question No. 40.)

#### CURRENCY NOTE PRESS, SECURITY PRINTING, NASIK.

40. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that some Europeans were recruited to the Nasik Government Security Printing from the Currency Note Press and, if so, is it a fact that some of those Europeans were condemned by the Currency Note Press before being transferred to the Security Printing ?

(b) Will Government be pleased to state whether such men were brought to the Security Printing with higher salary than they were getting in the Currency Note Press before they were condemned ?

THE HONOURABLE MR. J. B. TAYLOR : With your permission, Sir, I shall deal with questions Nos. 38 to 40 together. Enquiries are being made and replies will be communicated to the Honourable Member as soon as possible.

## CENTRAL BOOK DEPOT, CALCUTTA.

41. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : With reference to the reply to unstarred question No. 216 in the Legislative Assembly, dated the 27th November, 1933, will the Honourable Member in charge of the Department of Industries and Labour be pleased to state whether any decision has been arrived at by the Government of India regarding the closing down of the Central Book Depot in Calcutta ? If so, what is the decision arrived at ?

THE HONOURABLE MR. D. G. MITCHELL : The Government of Bengal have since withdrawn their proposal to undertake the agency for the sale of the Government of India publications.

## DEATH OF HARI PADA BAGCHI, DETENU IN THE DEOLI DETENTION JAIL.

42. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that detenu Hari Pada Bagchi fell ill in the Deoli Camp Jail ? If so, when ?

(b) When was news of his illness first conveyed to his brother Prafulla Bagchi or other relatives ?

(c) What was the reason for the delay, if any, in conveying news of his illness to his relatives ?

(d) Is it a fact that all the correspondence of detenus in the Camp Jail is required to be passed by the officer in charge ?

(e) Did the officer in charge delay the transmission of telegrams sought to be sent by detenus to Prafulla Bagchi on the subject of Hari Pada Bagchi's illness ?

(f) When did Hari Pada Bagchi actually die ?

(g) Is it a fact that telegrams conveying news of the illness of Hari Pada despatched from Ajmer on the 22nd August, 1933, reached the addressee after the delivery of later telegrams despatched on the same day ? If so, do Government propose to enquire why the delivery of the previous telegrams conveying news of his illness were delayed in transmission and who was responsible for the delay ?

THE HONOURABLE MR. M. G. HALLETT : (a) to (c) and (f). I invite the Honourable Member's attention to the reply I gave on the 14th December, 1933 and 8th February, 1934, to his question No. 279.

(d) Yes.

(e) No. Only one such telegram was handed in and it was despatched by the Superintendent the same day.

(g) I have no such information and do not consider it necessary to make enquiries.

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(The Honourable the President called on the Honourable Mr. V. C. Vellingiri Gounder, but the Honourable Member was not in his place.)

## RESOLUTION *RE* FURTHER REVISION AND REDUCTION OF THE NEW SCALES OF PAY, ETC.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-  
madan) : Sir, I move :

"This Council recommends to the Governor General in Council further to revise and reduce the new scales of pay and to impose a 20 per cent. cut on the old scales until the index number (Calcutta) reaches 1930 figures."

This Resolution, Sir, has been brought forward with the dual object, firstly, of reducing the new scales, and secondly, of concentrating attention on the pays of those who were in Government employ before the 15th July, 1931. Sir, I wish to thank the Government for having shown us some consideration. It will be fresh in the memory of Members of the House that last year I brought forward a Resolution that no restoration of the cut should be made until the surcharges imposed by the second Finance Bill of 1931 are also taken away. Although in that Resolution I was defeated by two votes, but at least one of those who voted against me spoke in favour of my Resolution. That shows that Government's victory was not a sure victory. It showed that the country at large did not agree with the Government. I am very glad therefore that this year the 5 per cent. cut has not been restored. For this I am very thankful to the Government.

I shall deal first, Sir, with the second part of my Resolution before I come to the first part. In India, formerly, the system of pay was a graded system, by which a number of posts were fixed in each grade. When one man got a promotion, the man next below in rank used to come up in his place. This was a great advantage, because we knew exactly the amount of expenditure on pay every year. There was no great variation in it. Under the present system, which is known as the time-scale system, there is an annual increment and till now we have not reached the maximum scales. In the Retrenchment Committee we were given to understand that in non-commercial departments alone, the expenditure amounted to something like Rs. 38 lakhs for the annual increments alone. When we were discussing the Retrenchment Committee resolution, one of my Honourable colleagues suggested that it would be better, if nothing else could be done, at least to stop the annual increments. The reason why I have put in the figure 20 per cent., is to concentrate attention on the fact that the present depression and the lowering of the cost of living is not a temporary state of affairs, it has come to stay, and Government must take some permanent measures and should not be content with half-hearted measures which they have already taken. It is common ground between the rest of India and the Government that the revision of pay which was made after the war was made in order to bring the scales of pay into conformity with the then prices of commodities. I have the authority of Mr. Denning who, on the 16th September, 1931, in one of the debates in this House, said as follows :

"Salaries of Government servants were after the war adjusted to the scales of prices which prevailed then".

By this he meant the period 1919—1924. At the present moment, Sir, the fall in prices, according to the Calcutta index number is very heavy, so much so, that for June, 1933, it was 11 per cent. below the figure of 1914. The present fall in prices justifies a reduction. Sir, the change over from the grade system to the time-scale system of pay has cost us a great deal of money. It was impossible for me to form any actuarial estimate of the amount which



[Mr. Hossain Imam.]

the exchequer is called upon to pay on account of this change. But a conservative estimate was made which put it at Rs. 8 crores. In a speech, an Honourable Member of this House last year said that the salaries of the Government of India in four departments, namely, the Army, Railways, Posts and Telegraphs and the Civil, consumed about Rs. 80 crores. I am not sure about the figure. I am only quoting from what another Honourable Member said. I cannot say whether it will be more or less. Still, if there is a cut in salaries, it will be an immense advantage. Here I wish to state that public servants are there to serve the country and to receive the emoluments which the taxpayers are able to pay. It should not be the other way about, that taxpayers exist simply to give fat salaries to officials. There is another thing. Government has tried increasing taxation and no one knows better than the Finance Department itself how difficult it is to rope in money at the present moment when the purchasing power of Indians has fallen below pre-war. If we were to suggest the revision of pays on the basis of the old pays it might be thought that we were asking for a sheer injustice. But I do not wish to stress even the 20 per cent. if the principle is conceded by Government that the pays and emoluments of those who are in service will be subject to reconsideration. That is the only assurance which I wish to get from Government. There is one great point which will be made, namely, that we shall be breaking a contract if we reduce the salaries of existing incumbents. As regards that, it is well-known that when one person has been employed on a certain scale of pay and the cost of living rises and there are other contributory causes the Government always comes forward and increases the pay. Why should not, then, the Government reduce the pay when circumstances justify decrease? It would be quite a different thing if the Government took up the attitude that circumstances do not justify any reduction in salaries. Then we could discuss the matter on its merits. I am sure to be told that salaries are in the nature of a contract and they should not be liable to change by one party alone. But that principle was not observed when the Lee concessions were given to people already in employment. They were not appointed on those conditions. Those were concessions granted on account of certain conditions. In the same way conditions now do justify a revision of salaries. And we have a precedent also. In one of the English departments salaries even of those already in service were reduced in 1931. But if the Government is not prepared to accept the principle that pays are subject to reduction, there is one thing about which I hope the Government will not be so insistent, I refer now to selected posts which are outside the time-scale of the ordinary cadres in which the pay is fixed. For instance, a Commissioner's pay is Rs. 3,000 a month, irrespective of the fact whether the Collector so promoted was getting Rs. 2,200 or Rs. 2,400. In the same way there are other posts, Accountants-General and so forth. If it is not possible to reduce the pays of the ordinary cadre time-scale posts, I would request that the new scales which Government has itself approved for new incumbents should be made applicable to old incumbents when they get posts with fixed pays outside the time-scale with the proviso that they will not in any circumstances receive less than they were drawing in their substantive posts. For instance, if a man draws Rs. 1,800 in his substantive post and he goes to a post of which the new pay has been fixed at Rs. 1,300, then he will continue to draw Rs. 1,800. This, Sir, will benefit the Government enormously, because there are any number of posts outside the time-scales where we now have to pay enormous amounts of money. Then I suggest it would be a good innovation if we followed what was done in England before 1931 when a standard rate of pay was fixed which was liable to six-monthly revision on account of a rise or fall in the cost of living index.

of the Board of Trade. That was applicable to all salaries below £1,800 annually, which is equivalent to about Rs. 2,000 a month. If we had some provision of that sort, we could have a standard rate of salary for all those employed on less than Rs. 2,000 which would be subject in the same way as English salaries, where the lower grades are more liable to fluctuate than the higher rates because of lesser differentiation on account of a change in the cost of living. For these reasons I wish to commend the second part of my Resolution to the House and the Government.

Now, as regards the first part, the further revision of the new scales of salary, I was really surprised to find that there appeared to be no system in the way salaries have been revised and new scales fixed. In some cases there are reductions of nearly 50 per cent. For instance, in the Finance Department itself the Budget Officer used to get pay varying from Rs. 1,500 to Rs. 2,000. The pay has now been reduced to Rs. 1,000. We all appreciate it. It is a step in the right direction. But why not follow that example right through? I was surprised to find that in some cases emoluments have not been changed at all. For instance, the emoluments of the Explosives Inspector have been kept at the old scale without being reduced by a single pie. Is there any system in that? Then there is another thing. In some services which have become almost fully Indianized the reduction is more pronounced, while in services in which the British element is still considerable the scales of salaries have not been reduced in the same proportion. For instance, in the Accounts and Audit Department, the scale which was Rs. 350 rising to Rs. 1,400 has been reduced to Rs. 300 rising to Rs. 950, and some posts of Accountants-General which were at Rs. 3,000 have been brought down to Rs. 2,000. That is in keeping with the condition of the times. But in other services we do not find the same proportionate reduction and no attempt has been made at systematic reduction. For instance, Assistant Divisional Engineers in the Posts and Telegraphs Department were formerly on a scale of pay of Rs. 375 rising to Rs. 975. That has been reduced from Rs. 375 to Rs. 350. The initial pay has only been reduced by Rs. 25, which shows that there is no uniformity. Two people who were on the same scale have received different salaries. For instance, the Director of Telegraph Engineering and the Director of Wireless were both formerly on the same scale, Rs. 1,750 to Rs. 2,150. Now, the pay of one post has been reduced to Rs. 1,300 and that of the other to Rs. 1,600. There ought to be some uniformity, some consistency, and the first essential is that there ought to be a continuous change, so that there is a uniform reduction by say, 10, 20, or 50 per cent., whatever it is, from the beginning to the end. It is not sufficient that the initial pay is reduced. There are other posts in which the last stage has been reduced. It means we must admit that the present scales are defective; but I do not find that to be the case; in most of the posts I find that there is a uniformity at the present moment in Class I and Class II Services. There is a sort of continuity in the old scales, while I do not find that in the new services.

Then, Sir, I was surprised to find that the new scales bring out in contrast the fact that even after two years' labour the officer has not been able to fix the salary for all the employees of the Government of India, at least in the gazetted rank. I brought forward a Resolution on the 21st September, 1931, asking the Government to appoint a Commission to inquire into the scales of salary of future entrants. The then Home Secretary objected to my procedure because it would delay the proceedings. I find that it took exactly two years and two days for the Government from the time of my Resolution to come to a decision on this question. This decision was published on the 23rd September, 1933. Then, Sir, there are departments which are altogether left

[Mr. Hossain Imam.]

out. For instance, the Public Works Department. The emoluments for the servants of the Public Works Department have not come into this. The Railways have got their separate arrangements and they have provided for their own servants. But even in the services which have been tackled in many places we find that the salaries of servants have not been revised because of the fact that the incumbent has got still many years to put in. It has been presumed that because of the fact that the present incumbent is there the necessity for new recruitment has not arisen, but the department may lose sight of the fact that unforeseen things may happen. After all this is a very big department. The Home Department has got to deal with any amount of work. I think it controls and it has more work than two departments of the Leader of this House and the Assembly combined. It can lose sight of it and men may be employed on the old scale. When once a man by mistake is appointed on the old scale, it will be very difficult to reduce the salary afterwards. Therefore, Sir, it would have been better if after two years which the Government have taken to consider the question they had come to some conclusion and given new scales of salary for all the servants under the Crown in India. For these reasons, I commend this Resolution to the acceptance of the House.

Sir, I move.

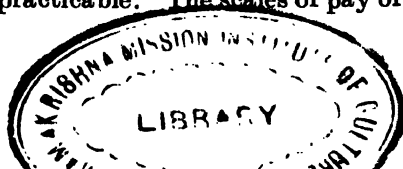
THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary) : Sir, this Resolution is in two parts and I shall follow the Honourable mover in dealing with the latter first, because I gather that though in the Resolution as it stands he has been very categorical, he wants us to impose a 20 per cent. cut on the old scales until a certain index number reaches a certain level, in practice he is not nearly so definite ; all he wants is first, that there should be a reduction in existing scales, and secondly, that in future there should be some variation to meet variations in the cost of living. As regards the first of these two points, I shall deal with it later when discussing the method which Government have adopted in dealing with the new scales of pay. As regards the latter, it is certainly an attractive suggestion at first glance. Everybody realizes how materially prices have varied in the last 15 or 20 years and if it were possible to devise some system whereby the wages of Government servants moved up and down according to the variations in prices it would be very satisfactory to everybody. Unfortunately, Sir, when that proposal is made it is confined entirely to the unfortunate Government servant. It is not proposed, I take it, that lawyers' fees should also jump up and down according to the price of gram or that people who lend money to Government should also find that Government are reducing their debts by 20 or 30 per cent. according to the figures referred to by the Honourable mover. I merely mention these two instances to show that there are great difficulties inherent in such a scheme. The Honourable mover told us that the British Government had adopted something of the sort after the war. That, Sir, is perfectly true, but in the case of the British Government the problem was a good deal simpler. In the first place, they had a mass of statistical information about the cost of living. Here, Sir, we have nothing tangible and I do not see how such statistics can be obtained. The index number to which the Honourable mover refers is one of wholesale prices and the cost of living of the average Government servant does not vary in direct proportion to the price of raw cotton or timber or anything of that sort. In the second place,—this is really connected with the first,—in England there is a much more homogeneous standard of living:

than there is in the case of Government servants in India. How can we compose any statistical data which would accurately reflect the variations in the cost of living, say of Hindus, Mussalmans or Europeans, particularly when some of them depend to a greater or less extent on imported commodities for their living? Others have educational liabilities which do not alter in direct proportion to the price of foodstuffs. School and university fees do not alter from day to day. The difficulty in dealing with people on a pay from Rs. 20 upwards to thousands is obviously much greater in India—a huge continent—than it is in the case of England where the difference between the top and bottom is much less; and even in England, Sir, everybody was pleased so long as wages were going up according to these figures, but when wages began to be reduced there was a different tune. The Government servants immediately began to protest that the index number was not an accurate reflection of the variation of their cost of living, and the result has been that even in England where the problem was a very much simpler one there have been very acute difficulties. In India, Sir, I think that from a broad practical point of view it may be said that the question cannot be solved on these lines. All that is possible is to take into consideration large variations, obvious variations, and to recast from time to time the scales of pay on a permanent basis after taking into consideration those changes.

Then, Sir, we are told that we ought to cut the wages of those at present in service. That, Sir, is a very difficult problem, because, in the first place, though the Honourable Member attempted to brush it aside, there is such a thing as sanctity of contract; but there is even a broader argument and that is, as I pointed out when this question was last under discussion, the Government servant makes a contract with Government for his life-time, not for a limited period of years alone, and he is consequently entitled to a reasonable continuity, not so much in his own interest as that long experience has shown that that is the policy which gives the best results to Government.

Sir, I have pointed out on several occasions how, during the last two or three years of economic crisis, the British Empire has weathered the storm better than any other group of countries, and I think that one of the most important factors which has helped the British Government is that their policy, and the policy of those countries which like India follow the policy of the British Government in general respects, is to have a reasonably paid and contented public service. In other countries, where pay is slashed about, you will find discontented, and disloyal public services and public servants are liable to make money in odd ways if their legitimate emoluments are reduced in such a way as to make them feel that they are not getting a fair deal from Government. Sir, I will not put it on a point of sanctity of contract but on a point of broad Government policy that it is desirable to have a reasonably contented government service and for that purpose reasonable continuity is necessary.

I will now turn, Sir, to the first part of his Resolution, that dealing with our policy or what he calls lack of policy in settling the new scales of pay. He has pointed out one or two what he calls anomalies. Now, anomalies are very easy to find. There were two broad alternatives before us when it became obvious that the scales of pay had to be recast. The first and the simplest one was simply to do what he in fact has suggested, to have a sliding scale,—this is to say, everybody on Rs. 100 would have a 10 per cent. cut in his pay, everybody on Rs. 200 a 20 per cent. cut, and so on. That would have been a very simple matter. It would have involved no appointment of any officer to study the problem and it could have been done at once. Unfortunately, it was too easy a solution to be practicable. The scales of pay of



[Mr. J. B. Taylor.]

the various Government services in a period of great expansion of public activities during the last ten years had been fixed at varying times and on varying principles. It would clearly have been unreasonable to apply the same cut to the pay of a post which was fixed, say, at the time of the boom in 1921-22 as to the pay of a post fixed six weeks or a year before the cut in pay. Government therefore decided that the more complicated method would be the soundest in the long run, that is to say, to appoint an officer on special duty to go carefully into an examination of the question in consultation with departments. The result naturally has been that there are differences, some of which the Honourable mover has pointed out, but, Sir, that does not mean there was no principle. The principle has been to effect a very drastic reduction. That reduction is steeper, naturally enough, in the higher grades. The lower scales of pay have been reduced by 5 to 10 per cent. but when we reach a pay of Rs. 300 or Rs. 400 the cut goes up to 10 or 15 per cent. and for a pay of Rs. 800 or Rs. 900 or above the general principle has been to work to a reduction of approximately 30 per cent. Sir, I think that such a reduction is in all conscience sufficiently drastic; it is even more drastic than that suggested by the Honourable mover, the figure which he quotes being 20 per cent., for the general principle, as I said, has been to effect a reduction of 30 per cent. in all the higher grades.

Then, Sir, he made an incidental point that we should have taken the opportunity of this revision to scrap the present incremental scales of pay and return to the old graded system. Again, I agree that there is something attractive about the suggestion. The principal attraction which he pointed out is that a graded system of pay allows Government to estimate accurately at any time what the cost is. There are so many posts on a certain pay so that Government for budgetary purposes knows exactly what they will cost. On the other hand, the incremental system, with increments growing from year to year, does mean that until a certain time is reached there will be increases in the budget from year to year. Sir, that was realized but against it had to be set the consideration which appealed to Government after the war, when they decided to replace the graded by the incremental system, that of security. It does give the Government servant greater security of tenure to have a time-scale and the desirability of continuity was recognized not only in India but also in England where before the war there was a similar system to that in India, graded scales throughout, and where since the war graded scales have been replaced to a large extent by incremental scales, at any rate in the lower stages. At the same time, Sir, there is a limit and that limit has been recognized by Government. The new revisions stop the incremental scales at a much lower point than before. Very roughly, I think that I may say that whereas before, people could go on by incremental scales to Rs. 2,000 or even higher now in general the incremental scales stop at Rs. 600 or Rs. 700 and it is our policy, subject to special conditions, to create above them a series of isolated posts on fixed rates of pay. That, we think, combines the advantages of the two methods and minimizes their disadvantages. From the point of view of the Government servant on lower rates of pay, it is undoubtedly an advantage that he should know that he has increments coming to him. On the other hand, for the higher posts, it is very desirable that the Government budgetary point of view should be given greater recognition by the substitution of fixed pay for increment.

I think, Sir, that I have now dealt—not in detail because it would be impossible in the course of a speech to deal in detail with all the individual

recommendations made by the officer on special duty or to explain all the variations from the fixed principles which were laid down—but I think that I have explained the principles which actuated Government in the last revision. Also, Sir, I think that it is clear that the general pitch of the reduction is one which is reasonable in view of the present fall in prices. The Honourable mover seemed to think that low prices will continue. We have no proof of that. In fact, it is quite possible that there may be a very considerable increase in commodity prices in the near future. We all hope so. In that case, Sir, I do not think that he will be able to adhere to his view that the present scales ought to be further revised downwards. In any case, Sir, we have—and this is the point on which I would like to close—given careful consideration to all the points which he made, and the schemes which we have now brought in seem to us to reconcile in the fullest degree possible the requirements of the taxpayer for taxation to be kept as low as possible with the paramount desirability of maintaining a Government service in a manner adequate to fulfil the functions which Government imposes on it. For these reasons, Sir, I must oppose the Resolution.

THE HONOURABLE MR. HOSSAIN IMAM : I do not wish to weary the House with a long speech and will only say a few words in reply. The Finance Secretary again brought forward the question of sanctity of contract. I thought that point had been finally settled when the question of judges' salaries was raised in England. As is well known, constitutionally the judges' salaries are not subject to the civil votes, but form part of the Consolidated Fund charges, and even those were subject to the cut. There was a hue and cry in England. They put the principle that the Judiciary is not under the orders of anyone and that their emoluments are not subject to any contract. But His Majesty's Government very strongly upheld the right of the Crown to repudiate all sorts of contracts when it came to His Majesty's power. His Majesty's powers are supreme. In the same way, we claim that it is the supreme right of the Legislature to pay what it likes and the doctrine of sanctity of contracts does not hold good, because of the precedent of the British Parliament. My Honourable colleague was very vehement in saying that the grade system was insecure and that other countries too had changed into the time-scale system. Our complaint is that when a thing is against us, the example of other countries is quoted, and we are asked to follow it. But when we give examples of other countries and ask that it should be followed we are told that it is not good for us. It is like "Heads I win, tails you lose"! This incremental system is against all business principles. Ask any business man and he will tell you that a man can rise up to any height but only on his proving his ability to do so. The incremental system does not take account of this. It is a sort of annual gift like a present from Father Christmas. It comes every year whether you deserve it or not. The stocking will be hanging on the day when you complete one year. This incremental system has in certain respects taken away the incentive for improving efficiency. I am told that the efficiency bar has been lowered. But perhaps it will come as news to the House if I say that in the whole of India, on the Indian Civil Service cadre, about which I brought forward a Resolution last year, out of 900 people who were in service, only two or three were stopped at the efficiency bar. That is the efficacy of the efficiency bar. The efficiency bar is utilized to keep back those people who are unfortunate enough to incur the displeasure of their immediate superiors. Otherwise, the efficiency bar intervenes but very rarely, if it intervenes at all. The Honourable the Finance Secretary gave us cheering news that he was expecting a rise in commodity prices. We all know that it will come. But the coming is no nearer. I also hope that the

[Mr. Hossain Imam.]

world depression has been with us for too long and that conditions will improve. But we do not know when this will come. That is why I wanted to have the English system by which there will be constant increase and decrease in salaries, according to the cost of living index in India. The objection of my Honourable friend is that in India it is difficult to get the cost of living. Government have got a Statistical Department of their own, who compose numerous monographs and publications weekly, fortnightly and monthly. They could incorporate the cost of living index, separately for Hindus, for Mussalmans and for Europeans. It may be a monthly affair. It need not be a weekly affair. Or it might be for three months. Nothing is impossible. Where they have a will, they can find a way. But Government are still in the old paradise in which they used to live. They believe that people in India have got broad backs and that they have got an enormous amount of reserve on which they can fall. If they think so, they need not have come forward with this small mercy of reducing the pay, which they have done, if they do not press far enough. As far as I have been able to study the situation, there is no sign of a rise in prices, at least of prices with which we are concerned. I mean commodity prices of Indian produce which are exported. Very few—for instance, linseed, is rising a little. All the others I think are still falling in price. I was expecting some explanation from the Honourable the Finance Secretary about the posts outside the incremental scale—posts on a fixed scale of pay. But he did not like to enlighten us on the point. This new scale which has been introduced will not be helpful to Government. That is one of the reasons why I have brought forward this Resolution. It was very much stressed by the Honourable the Commerce Member in the other place that because of retrenchment new employments have been reduced materially. So even if the new scales are in operation, so few appointments have been made on these scales that there will be no appreciable decrease in Government's outgoings. For this reason, Sir, it is essential that we must tap the one source that is left to us, namely, the emoluments of the old incumbents. For these reasons, Sir, I do not see my way to withdraw the Resolution, and I press it for the consideration of the House.

THE HONOURABLE THE PRESIDENT: Resolution moved:

“This Council recommends to the Governor General in Council further to revise and reduce the new scales of pay and to impose a 20 per cent. cut on the old scales until the index number (Calcutta) reaches 1930 figures.”

The Question is:

“That that Resolution be adopted.”

The Motion was negatived.

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## RESOLUTION *RE* PROTECTION TO THE SILK INDUSTRY.

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Vellingiri Gounder.

I will allow the Honourable Member to move his Resolution as he came into the Council Chamber immediately after I had first asked the Honourable Mr. Hossain Imam to move his Resolution. But this should not be regarded as a precedent. I would also remind the Honourable Member that 11 o'clock precisely is the time for meetings of the Council of State.

**THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER** (Madras : Non-Muhammadan) : Mr. President, I thank you for your kindness and also for the advice which you have given me.

Sir, I beg to move the Resolution that stands in my name. It runs thus :

“ This Council recommends to the Governor General in Council that immediate steps be taken to protect the silk rearing and silk weaving industries by imposing a duty of 100 per cent.”

You might wonder, Sir, why when Government are contemplating urgent action themselves on the recommendations of the Tariff Board, I should come forward with this Resolution. My only excuse is that circumstances which have since developed in the situation so far as the sericultural industry is concerned, have necessitated a further study of the whole question and the result of it is, in my opinion, that the measures of protection and the time during which they should operate recommended by the Tariff Board and intended to be acted on by Government are totally inadequate. It is from this point of view, that I propose today to develop my arguments in favour of the Resolution that I have the honour to sponsor.

As Honourable Members are aware, the silk industry in India is a very old one. It is an industry closely allied to agriculture, and therefore of peculiar interest to most Members of this House, I think. I do not think it is necessary for me for the purposes of my Resolution to go into the history of this industry. Suffice it to say that true to their trading instincts the East India Company were quick to appreciate the value of this industry as a commercial proposition. They took great pains to develop it, especially in Bengal, with the result that after the Napoleonic war Bengal silk was in a position to compete in Europe with French and Italian silks. Unfortunately, however, the Company's monopoly in this trade was abolished by the Charter Act of 1813 and it had to wind up its silk business in 1836. From then the industry practically continued in a state of suspended animation, and after 1857 it came to depend more and more on the home market. About 1875, however, as the Tariff Board says, it began to decline due partly to disease which attacked worms alike in Bengal, Kashmir and Mysore and partly to the higher returns offered by competing crops and occupations. Thanks, however, to Kashmir, the industry was revived in 1905 when new modern filatures were started. The war created a boom of which Kashmir took full advantage and which caused a revival of the industry in Mysore. Unfortunately, however, the industry declined with the disappearance of the boom in 1922. Further, the loss by China of her market in America has led to inundation of the Indian market with her goods. She has been greatly helped in this by the abolition of export duty and the grant of bounties on exports. The present production in India has therefore to take into account this serious competition as well as the competition of Japan which as in other fields of industrial endeavour is a menace to the infant industries of India.

The main centres in India of sericultural industry at present are Mysore, Bengal, Kashmir and Madras (Kollegal Taluk in the Coimbatore District, my own constituency, where the area of mulberry is reduced to one-third of its original extent). A small quantity of silk is also being produced in Bihar, Punjab and Burma. The Mysore silk industry is an old one started by Tippu Sultan between 1780 and 1790 and is noted for the peculiar breed of its worm and the remarkably uniform quality of its cocoon. The Kashmir silk is world famous but it is a pity that when I visited the State factory in 1932 I found



[ Mr. V. C. Vellingiri Gounder.]

that there were large stocks of silk accumulated and lying unsold owing to the heavy fall in prices and the uneconomic competition to which the industry was subjected by Japan and China. According to my information a recent estimate of these stocks puts them at 3½ lakhs pounds.

The following table gives the approximate production of silk in various parts of India :

Province.	1915-16.	1929-30.	1931-32.
	Lbs.	Lbs.	Lbs.
Mysore . . . . .	1,152,000	880,000	740,000
Madras . . . . .	400,000	145,000	90,000
Bengal . . . . .	600,000	750,000	540,000
Burma . . . . .	15,000	Very little.	Very little.
Assam . . . . .	12,000	Do.	Do.
Punjab . . . . .	1,800	Do.	Do.
Kashmir . . . . .	100,000	217,000	230,000
Total . . . . .	2,280,800	1,992,000	1,600,290

Between the years 1915 to 1916 and 1925 to 1926, the production of raw silk in India had gone up considerably, but has since declined due to foreign competition. The imports of foreign raw silk and silk manufactures into India are as follows :

<i>Raw silk.</i>		Lbs.
1884-1900	Average	2,000,000
1909-1914	Do.	2,500,000
1919-1924	Do.	1,815,440
1927-1928	Do.	2,356,225
1929-1930	Do.	2,175,239
1932-1933	Do.	3,186,252

*Silk manufactures.*

*Yarns, noils and warps.*

<i>War average.</i>	<i>Post-war average.</i>	<i>1931-32.</i>	<i>1932-33.</i>
787,000 lbs.	734,000 lbs.	1,710,000 lbs.	3,010,000 lbs.

*Silk piecegoods.*

19,719,000 yds.	18,788,000 yds.	19,924,000 yds.	34,958,000 yds.
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*Silk mixed goods.*

3,158,000 yds.	1,419,000 yds.	5,090,000 yds.	10,103,000 yds.
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It will thus be seen from the above figures for 1932-33 that the imports of yarns, noils and warps are nearly doubled while in the case of mixed goods the imports are nearly nine times the war average. Raw silk and yarn imports

doubled and silk goods trebled between the years 1931 to 1933. The quantity of artificial silk imported was more than doubled during the same period. The average declared values of imported raw silk has gone down very much, as can be seen from the following table :

Average declared value.	Pre-war average.	1925-26.	1930-31.	1931-32.	1932-33.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
Raw silk . . . . . per lb.	4 9 1	7 2 0	4 8 9	3 15 9	3 10 9
Silk goods mixed . . . per yd.	0 12 9	..	0 9 8	0 9 6	0 6 11
Silk goods . . . . . per yd.	0 11 2	1 4 9	0 12 1	0 10 2	0 8 4

It will thus be seen that not only have the imports increased tremendously, but also that there has been considerable fall in the declared values of the several articles connected with the silk industry.

I will, with your permission, Sir, now deal with the price of raw silk. The price of raw silk in Mysore and Kollegal was Rs. 14 per pound in 1922. In the pre-war year it was Rs. 7-8-0 per lb. But in August, 1932, it fell to Rs. 5-13-0 and in January, 1933, to Rs. 5-10-0 and now, in 1934, stands at Rs. 3-8-0. This, however, is not the bottom. The prices have to be reduced further if the stocks accumulated have to be cleared. The result is, the reelers, the cocoon-producers, mulberry-growers have all been compelled to suffer heavy losses—in the case of the cocoon-producer, the loss is heaviest because the rate goes lower down than the cost of production. The investment of the poor sericulturist in Mysore and Kollegal is estimated at Rs. 2 crores, and affords sustenance to lakhs of families. A clear case, therefore, seems to be made out for the silk industry and I acknowledge with thankfulness the recognition of the fact by the Tariff Board. My contention, however, is that the measure of protection proposed by the Board is too conservative, is not adequate to meet the needs of the situation and will not alleviate the distress of the sufferers.

In this connection I may read out to the House some telegrams which I have received and which show that the necessity for a degree of protection higher than that recommended by the Tariff Board is acutely felt. The following is from the Kollegal Silk Association :

“ Kollegal Silk Association represent position of Kollegal silk industry deplorable. Prices have fallen considerably since Tariff Board enquiry. Pray press adequate relief. Duty proposed totally inadequate and would kill industry. Present price for raising cocoons five annas two pies per pound and selling price three annas six pies per pound. Proposed duty would not even bring prices to 1932 level when Tariff Board enquiry was ordered. Substantial relief necessary to save this dying silk industry ”.

Then this is from the Silk Association, Bangalore :

“ Protection Bill fatally inadequate to Indian silk industry, being barely 50 per cent. of Tariff Board recommendations which have themselves become inadequate owing to subsequent fall of fifty per cent. in import prices. Average cost of production Indian silk Rs. 6 ; present tariff valuation competing foreign silk Rs. 2-14-0, making with proposed duty a selling price of Rs. 4-5-6, necessarily killing Indian industry. Pray opportunity for representing case ”.

[ Mr. V. C. Vellingiri Gounder. ]

When foreign silk was being sold at Rs. 5 a lb., a duty of 100 per cent. or Rs. 3-12-0 a lb. was suggested should be levied on foreign raw silk, but the Board recommended a duty of Rs. 2-6-0 per lb. or the alternative of 50 per cent. *ad. valorem* on foreign raw silk, thrown silk, spun silk and warps, a duty of 83 per cent. on silk piecegoods and artificial silk goods, a duty of 60 per cent. on mixtures and a duty of Re. 1 per lb. on artificial silk yarn. This was recommended at a time when the average declared value of first class imported raw silk was Rs. 3-12-0 a lb. and of second class silk Rs. 2-10-7 a lb. Naturally, it was expected that when the average declared value declined, the duties would be raised suitably. The average value of the first class imported silk has gone down to Rs. 3-3-0 in January, 1934, and of second class silk to Rs. 1-10-4. The duty should therefore have been increased to Rs. 2-15-0 a lb. and Rs. 3-6-0 a lb. But in the Bill which Government have prepared, the duty is proposed to be raised to Rs. 1-8-6 and Rs. 1-2-1 only. The same is the case with other articles also. There is absolutely no protection granted against artificial silk which in fact is the article which has ruined and is ruining the silk industry. The proposed duties are therefore inadequate and do not help the industry nor does the recommendation of the Tariff Board in regard to the period during which the remedial measures suggested should operate fully to meet the needs of the situation. It was urged before the Tariff Board that protection should be afforded for 15 years as the people engaged in the industry are illiterate, poor and live in the interior villages, and also as it would take considerable time to introduce all the necessary improvements in the industry to enable it to withstand competition after the period of protection. I therefore consider that the Tariff Board's argument, that the object with which they were proposing a period of five years was to afford the industry time in which to recognize itself, reduce its cost of production by cheapening mulberry leaf, eliminate loss in cocoon production and improve the efficiency of its reeling methods, and introduce some degree of method and system into its marketing, falls to the ground. I think I make no extravagant claim when I suggest that the minimum period should be ten years.

The silk industry is of great economic importance to the agriculturists in the provinces of India where it is being practised. In rural economy sericulture plays a very important part. The cultivation of mulberry and the rearing of silk worms afford a subsidiary occupation which enables the families of innumerable agriculturists to turn their idle hours to account and earn a return which, in many cases, makes all the difference between a half-starved life without any ray of hope of improvement and a self-respecting competence. It is impossible for me to depict the sufferings which the sericulturists in India are at present undergoing due to abnormal foreign competition. It would therefore be the height of statesmanship on the part of Government to bring succour to these distressed people. The Government of Japan has been spending crores of rupees for the improvement of this industry in their country. Honourable Members will be interested to learn that they had even to bear the loss of Rs. 5 crores recently to compensate the banks for the loss sustained in the silk trade. Nor has the Chinese Government been lacking in attention to develop the industry scientifically and with bounties. They have engaged Italian experts to organize the industry. I therefore beseech Government to take immediate action and formulate methods for a satisfactory solution of the difficulties inherent in the situation. To my mind, apart from the adoption of the suggestions that I have offered in regard to the period during which the protectionist measures should operate and the degree of protection, it appears

that an immediate need is that all Local Governments and States concerned should realize their imperative duty to afford all protection administratively possible to the sericulturists lest they should, before the effect of the remedial measures begins to be felt, lose all hope and give up the industry altogether. A system of co-ordination under the Imperial Council of Agricultural Research should go a long way to improve present conditions and restore confidence in the minds of persons engaged in the industry.

Sir, I move.

THE HONOURABLE MR. J. B. GLASS (Burma Chamber of Commerce) : Sir, I rise to oppose this Resolution. Its acceptance in the first place would mean that by placing United Kingdom and other manufacturers on the same level the trade which India cannot meet would simply pass into the hands of Japan while importers other than those of Japanese goods would suffer.

I much prefer the proposals of the Indian Tariff Board whose reasoning appeals to me from a business standpoint as their proposals indicate a measure of protection for the weaving industry to what after investigation is considered the extent necessary to compensate the trade for the increased duty on raw materials. In expressing this preference, however, I consider that the Tariff Board proposals are yet lacking in that no preference is apparently to be given to British goods.

In further considering my expressed preference, I would mention that the people of my province are essentially lovers of silk and bright colours—indeed silk is their national dress. The Tariff Board proposals may be necessary to protect Indian industries looking at the position other than from the provincial standpoint and not forgetting that Burma reaps certain benefits from her association with India but it should be remembered that Burma is essentially an agricultural country and such protection as has, in increasing measure, from time to time, been proposed by the Tariff Board bears very hardly on our people, more particularly at present with prices for agricultural produce so low. In this connection I might mention, as some Honourable Members in the House may be unaware of the fact and the Indian Tariff Board on sericulture did not visit the province, Burma has a very promising and by no means small indigenous silk weaving cottage industry but Burmans unfortunately do not go in for sericulture.

It has been put to me in Delhi why do not Burmans go in for sericulture and my reply to that is that Buddhist tenets are against the killing of the cocoon. It was then stated that in Japan and China no such objections were raised and to this my reply in the first place was that so far as I knew the practice of the Buddhist religion in Burma was more akin to the old teachings of Gautama, an Indian prince, than to the doctrine preached in Japan and China. The subject, however, was pressed and I put to my interrogators the question as to whether the Burman Buddhist should not be given as much respect and credence in respect to his religious beliefs as the Hindu is in regard to cows and the Mussalman over pigs which led to the subject being dropped.

Sir, I ask the Honourable Members of this House to oppose the Resolution.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras : Nominated Non-Official) : Sir, the Resolution before the House is capable of being divided into two parts, first, the question of whether the silk industry deserves this protection at all, and secondly, if it deserves it, what exactly is to be the rate which has to be imposed on the goods which come to our country, whether as raw silk or as manufactured goods. Sir, I thought after the report of the

[ Sir Kurma Venkata Reddi.]

Tariff Board the question of the need for protection in this direction would not be seriously opposed. Burma, we are told, is not willing either to cultivate or to weave silk. But Burmans are very fond of wearing coloured cloths and silk cloths. I have seen, Sir, in this report, in several places where the Board complain that, though the Board wanted information from Burma and called for it two or three times there was no response. It is not in one place but in two or three places. I should think, Sir, that perhaps the expected separation of Burma is more responsible for that attitude than any want of the desire of the people of that province either to cultivate or to produce or to weave silk cloths. Anyway, Sir, I think there can be no two opinions on the question so far as the first question is concerned, namely, that there is an absolute need and an urgent need for affording this protection. Sir, I take it that Government is committed to the policy. It is at present the declared policy of Government to protect industries which deserve that protection provided, of course, the conditions imposed by the Fiscal Commission are satisfied. And in this report the Board have specifically stated that all the conditions were satisfied and that protection should be given. Sir, as has been pointed out by my friend, Mr. Gounder, this is a very old industry and women all over the world are fond of wearing silk. In the province from which I come, even some poor people go in for silk *saries* and they will find it very hard indeed.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Agriculturists too ?

THE HONOURABLE SIR KURMA VENKATA REDDI: Oh, yes, and that is because other classes wear silk cloths and our women do not want to be behind them. I suppose it is human nature. Well, whatever it is, Sir, my friend has pointed out that this is a subsidiary industry helping poor agriculturists in places where their land does not yield crops like jute or rice or cotton, and in places where the agriculturists find a good deal of leisure which they have no way of utilising, so that they will be left without any occupancy at all. As a subsidiary industry for the poorer classes, this is very well fitted and we have been told as an ancient industry it has been going on for 2,000 years and the climate and soil are congenial, and I should think, Sir, that under these circumstances it would be very difficult to accept the view that no protection at all is necessary.

Sir, owing to various causes this industry is put to great hardships. There was a time when India was sending a large quantity of raw silk as well as silk to foreign countries. But today, as has been pointed out by my friend, this has gone down. Various causes are responsible for this. There is, of course, this world-wide depression. But even a more important reason appears to be that Japan, which occupied no place at all in the export of these silk goods in olden days has now come to the top, competing even with Italy, France and China. And China has turned her exports to India when she found that America was no longer willing to purchase these goods, with the result that today both China and Japan have been competing, owing in the first place to the devaluation of their currency, and secondly, to the subsidies given by the Chinese Government, these countries have been able to sell raw silk and silk goods much cheaper than we could produce them. That question has been fully gone into by the Board. They recommend, so far as raw silk is concerned, a specific duty of Rs. 2-6-0. I take it in the alternative they propose to increase the *ad valorem* duty from 25 to 50 per cent. So far as the finished goods are concerned, the Board would recommend 83 per cent. *ad valorem*

duty in the place of, I believe, 50 per cent. as at present. And here I come to the second point. I am afraid it would be difficult to support my friend the Honourable Mr. Gounder to the extent of 100 per cent. *ad valorem* duty which he would like. I too have got a telegram from my people in Kollegal and they tell me that even the rate proposed by the Tariff Board is not sufficient. But personally I think we ought to be satisfied if we could get the rate proposed by the Tariff Board. We will then have behind us the support of the whole report so carefully and well prepared. It is one of the best reports that I have seen from the Tariff Board. I think the reason assigned by the Honourable Member from Burma has been met by the Board who say that no doubt there was that original objection against killing but that that reason is no longer valid. They observe that China and Japan, two essentially Buddhist countries, have not only been rearing these silk-worms but have been preparing them much more than other countries and dumping them on other countries. I should think that sentimental reasons are out of place in considering this question. Now as regards the export duty I should leave it to Government to suggest the actual rates. I do not know what passed between them and the representatives of Japan or whether their deliberations were confined to cotton. So I would leave this matter entirely to Government. But I do urge, Sir, that it would be an act of justice if some protection is given, whatever the actual extent may be. In fact, Sir, in this report I found a passage in which the Board said that the Government should not wait till the Legislature has passed these duties but should take executive action immediately. That will show, Sir, the necessity, importance and urgency of meeting this demand and of raising the duty to a point where this industry will be adequately protected.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): I regret, Sir, that it is necessary for me on behalf of Government to oppose this Resolution. But the opposition that I put forward is not based on the merits of the case. My opposition is a formal one and these are the reasons for it. A Tariff Board was appointed to investigate the claims of the sericultural industry to protection. The Tariff Board has reported. Its report has been examined by Government and Government have formulated certain proposals which have been incorporated in the Textile Protection Bill which was introduced in another place on the 5th of February. There will be ample opportunities in this Honourable Chamber and elsewhere to debate the proposals that have been made. There will be fair hearing to those who think them too little and those who think them too much will also be heard. But Government think it is entirely inappropriate that those debates should be anticipated at this time. I have listened with great interest to the Honourable Members who have spoken. I trust that in these circumstances they will forgive me if I do not follow them through the arguments that they have raised and I would ask the Honourable mover whether he would not be prepared to withdraw his Resolution. Failing that, I am afraid we must oppose the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend Mr. Gounder. The Honourable Mr. Glass, while making his observations, said that as Buddhists in Burma have religious scruples, they are not willing to take to the sericultural industry on a fair scale. Sir, that argument does not appeal to me at all, and the opposition which he has made, based on this point, seems to be rather frivolous. The Honourable Mr. Glass knows very well that the industrialists who developed Burma were not Burmans but outsiders—they were Indians, Europeans and Chinese is well-known—

**THE HONOURABLE THE PRESIDENT:** I would ask the Honourable Member to bear in mind the observations made by the Honourable Mr. Stewart. The Honourable Member will have another opportunity shortly of speaking on the Bill.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** The Honourable Mr. Stewart has put up rather a weak defence. What we expected from him was to listen to the reasons which led the Government to accept the inadequate proposals of the Tariff Board. We now learn that a Bill has been introduced in the other House. But if I mistake not, the object underlying in bringing forward this Resolution is that information is required from the Government, as to what led them not to advance on the recommendation of the Tariff Board. It has been proved, as far as I can see from the speech of the Honourable mover, that the recommendations of the Tariff Board have not at all been adequate—

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Has the Honourable Member seen the Bill?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** The Bill has not so far been laid before us and I think it would have been better if the Honourable Mr. Stewart had got copies circulated today to help Members in making their remarks here. However, as the object of the mover is one which Government do not oppose, I think this Resolution ought to be accepted. It is in the form of a recommendation, and that recommendation even if accepted will not commit the Government to any definite course.

With these remarks, Sir, I support the Resolution.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal: Non-Muhammadan): Sir, living as we are in an age of protection, I think this Resolution is not altogether inopportune at this time and I find my Honourable friend the mover of the Resolution Mr. Vellingiri Gounder has made a very strong case in its favour and which has been so very ably supported by our Honourable colleague from Madras Sir Kurma Reddi. I have no hesitation in saying that this Resolution will be accepted—

**THE HONOURABLE THE PRESIDENT:** A Bill has already been introduced in the other House early in February. The Honourable Member has been told that.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** I hope that this Resolution will be accepted by the House.

**THE HONOURABLE MR. HOSSAIN IMAM:** Sir, I do not wish to intervene to say anything about the merits or demerits of the Resolution. I have complained many times before in this House that when Government appoints a Committee, the action on it is so delayed that the action becomes quite ineffectual. That is the trouble with the Bill that has been placed before the House. We have not the Bill before us. In a memorandum which has been sent—

**THE HONOURABLE MR. T. A. STEWART:** On a point of explanation, Sir. It is alleged that the Bill has not been seen by Honourable Members. The Bill has been published in the Gazette of India, a copy of which is supplied to all Honourable Members.

\* THE HONOURABLE MR. HOSSAIN IMAM : I was referring to the fact that the recommendation of the Tariff Board has been accepted by the Government in the Bill that has been brought. The Tariff Board made the suggestion that this duty should be Rs. 2-6-0 or 50 per cent. whichever is higher. That was an adequate amount of protection at the time when the Tariff Board reported. But, as my Honourable friend the mover has shown, the fall in prices has been so great now that that amount of protection is ineffectual. For this reason, Sir, we wish to draw the attention of the Government to this serious matter and to request them not to do anything behind the back of the House, but to prove to us that the measure which has been introduced is in consonance with the recommendations of the Tariff Board. It is well known, Sir, that in a protected industry, it is one of the dictums that any fall in prices of imports whether it is a natural fall or is due to bounties, is counteracted by additional import duties. In connection with every protected industry such power has been given to the Governor General in Council to increase the taxation. In the same way we expected that when this Bill was introduced, it will have been introduced in a better manner. Now that it is before the other House, we will not get an opportunity to discuss it before the House comes to a decision. Before that House comes to any decision we wish to place our grievances and the grievances of the teeming millions of India who are interested in this country before the Government—

THE HONOURABLE THE PRESIDENT : I may inform the Honourable Member that the Parliamentary practice is that when a Government Member in charge states that a Bill has been introduced, all further discussion terminates.

THE HONOURABLE MR. HOSSAIN IMAM : I have nothing further to add then, Sir.

THE HONOURABLE THE PRESIDENT (addressing the Honourable Mr. Vellingiri Gounder) : Do you wish to press your Resolution to the vote ? (*Honourable Members* : "Withdraw, withdraw".)

THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER : Sir, in view of the fact that Government have introduced a Bill in the other House, and considering the observations made by the Honourable Members, I hope that Government will be able to reconsider some of their decisions and give consideration to the other points raised and the difficulties expressed by the sericultural people. Hoping that Government will give due consideration to the representations made, I beg leave of the House to withdraw the Resolution.

The Resolution\* was, by leave of the Council, withdrawn.

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The Council then adjourned till five of the Clock on Tuesday, the 27th February, 1934.

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\* *Vide* page 259, *ante*.





# COUNCIL OF STATE.

*Tuesday, 27th February, 1934.*

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The Council met in the Council Chamber of the Council House at Five of the Clock, the Honourable the President in the Chair.

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## MEMBER SWORN:

The Honourable Sir Alfred Alan Lethbridge Parsons, Kt., C.I.E. (Finance Secretary).

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## DEATH OF SIR CHARLES WATSON.

THE HONOURABLE THE PRESIDENT: Honourable Members must have read in this morning's newspapers the sad news of the untimely death of one of our esteemed colleagues, Sir Charles Watson. He only retired from service a few months ago. He was a distinguished member of the Civil Service and rose to the high office of Political Secretary. He was a Member of this House for over six years and was well known to many of you who are present here. Unfortunately his death has taken place soon after his retirement and he has not been able to enjoy either his well-earned rest or his pension. I have no doubt you all sympathise with his family in their heavy bereavement and I shall convey on behalf of all Members our sympathy and condolences to his bereaved family.

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## MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

SECRETARY OF THE COUNCIL: Sir, a Message has been received from the Secretary of the Legislative Assembly. The Message runs as follows:

"I am directed to inform you that, in accordance with rule 36 (7) of the Indian Legislative Rules, the amendments made by the Council of State in the Bill to constitute a Reserve Bank of India, were taken into consideration by the Legislative Assembly at its meeting held on the 26th February, 1934, and that the Assembly has agreed to the amendments."

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## BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meeting held on the 26th February, 1934, namely:

A Bill further to amend the Cotton Textile Industry (Protection) Act, 1930;

A Bill further to extend the operation of the Wheat (Import Duty) Act, 1931;

[Secretary of the Council.]

A Bill to continue for a further period the provisions made by certain Acts for the purpose of fostering and developing the Steel Industry and the Wire and Wire Nail Industry in British India; and

A Bill to amend the Indian Medical Council Act, 1933, for a certain purpose.

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CONGRATULATIONS TO THE HONOURABLE RAI BAHADUR  
PROMODE CHANDRA DUTT ON HIS APPOINTMENT TO THE  
EXECUTIVE COUNCIL OF ASSAM.

THE HONOURABLE THE PRESIDENT: Honourable Members, I feel confident that you would all like me on behalf of the Council to congratulate our esteemed colleague the Honourable Rai Bahadur P. C. Dutt on his elevation to the high office of Executive Member of the Government of Assam. The Honourable Rai Bahadur has been for many years in this Council and has rendered good work. He has spoken very sparingly but when he has spoken his observations have always commanded our respect and attention. I wish him personally and on behalf of this Council all success in his new sphere of duties and I am very sorry we shall miss him from this Council.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan): Sir, I thank you and Honourable Members of this House for your kind congratulations and good wishes.

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PRESENTATION OF THE GENERAL BUDGET FOR 1934-35.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary): I rise to present the statement of estimated expenditure and revenue of the Governor General in Council for the year 1934-35 in respect of subjects other than Railways.

2. There is more ground than usual to be covered this year. I propose therefore to leave for the most part the detailed explanation of variations in the estimates to the papers which will shortly be in Honourable Members' hands, and will confine my remarks to an exposition of the main figures of the budget and to the proposals of the Government of India which result from them. Even so, Sir, I must ask for your indulgence and that of the House if I trespass rather longer on their and your patience than is customary.

3. Honourable Members will recall that when Mr. Taylor presented the estimates last February we anticipated that 1932-33 would leave us with a surplus of 2,17 lakhs, and that in the current year after meeting all charges we should be able to apply 6,88 lakhs to the reduction or avoidance of debt in accordance with the scheme which has been in force since 1925, and still have a balance of 25 lakhs. In the event we did not do so well in 1932-33. Our surplus, chiefly because customs and salt revenues did not come up to the mark, was only 1,55 lakhs. This perhaps foreshadowed what was to come; for we now have to estimate that, in spite of an

unexpected repayment by the Persian Government of a pre-war debt of 33 lakhs, our revenue will fall short of our anticipations by 5 crores and 4 lakhs.

Though there are of course variations under other heads, as a whole they balance one another, and the short-fall can be attributed entirely to taxes on income and customs. Under taxes on income we now expect to get 93 lakhs less than our budget estimate and I fear we must plead guilty to having under-rated the effects of the depression on profits. Under customs there has been a moderate, but very welcome, revival in exports and re-exports of merchandise, which to the end of December exceeded those of the corresponding period of 1932-33 by 12 crores. This is I hope a portent of further recovery in future; as a result we should do better than our estimates of the receipt from export duties by 65 lakhs. Unfortunately imports, from which our main customs receipts are derived, have as a whole shown no similar indication of a revival; they are down in the nine months to the end of December by 17 crores. This means that we have to face a drop of about 6 crores in import duty below our budget estimates and, though the excise duties on motor spirit and kerosene are doing well, under the customs head as a whole there is a deficiency on the original estimates of 4.38 lakhs. Of the many items which contribute to this decrease, I need only mention four. Under the stimulus given by the heavy protective duty and the surcharge of 25 per cent. on it, there has been a more rapid turn-over from imported to indigenous sugar than even we expected; and though our budget estimates allowed for a drop of about a crore in the duty on sugar imports, we have now to assume that the drop will be about double this figure. We allowed also in our budget estimates for a drop of about a crore in the customs receipts from textile fabrics and yarn, but it is clear that this did not go nearly far enough and that the imports in 1932-33 were entirely abnormal. It seems probable that we shall fail to reach our estimates under this head by no less than 2½ crores. These two categories account for 3.77 lakhs out of the total deficiency of 4.38 lakhs. For the rest I propose only to mention the duty on manufactured tobacco which we now expect to bring in 28 lakhs instead of 50, and the duty on silver. Imports of silver have been entirely negligible and the budget estimate of 25 lakhs is now reduced to a lakh.

4. Against this drop of just over 5 crores in our revenue estimates we can set a saving of 2.20 lakhs in our estimates of expenditure. Again, I can leave minor variations to the papers which will be circulated; the saving is entirely accounted for by two factors. His Majesty's Government have not required us to pay the instalment of 88 lakhs due to them on account of war debt and we have obtained a reduction of 1.78 lakhs in defence expenditure as a result of the award of the Capitation Rate Tribunal. Our net defence expenditure, which four years ago was over 55 crores, is now rather less than 44½ crores. I will not attempt a recital of the measures by which this most substantial reduction has been obtained—Honourable Members will find a full description in Sir George Schuster's speech. All I will say is that, welcome as the relief obtained from the Tribunal's award is, it is only a fraction of the assistance which the Government of India have obtained in a very difficult time from a reduction of defence expenditure and that for the great bulk of that assistance we are indebted to the strenuous efforts made by His Excellency the Commander-in-Chief and all his officers to help us. I am sure the House will wish warmly to acknowledge that indebtedness.

[Sir Alan Parsons.]

5. Well, Sir, that is the position for this year. We had hoped to pay our way and have a balance of 7,13 lakhs, 6,88 lakhs of which we proposed to utilise for the reduction or avoidance of debt. We are spending 2,20 lakhs less than we expected but our income has shrunk by 5,04 lakhs. To the extent therefore of 2,84 lakhs we have not done as well as we hoped, and on present estimates our available balance, before we make provision for the reduction or avoidance of debt, is 4,29 lakhs instead of 7,13 lakhs.

6. Though our hopes have not been entirely fulfilled—that is perhaps too much to expect in present times—I trust Honourable Members will not derive from these figures any reason for despondency. I certainly do not myself. I have already mentioned one encouraging sign, the increase in our exports: Sir Guthrie Russell mentioned a second a few days ago, the growth in railway goods traffic. There are other good grounds for an increased confidence to which I will briefly refer, for they lead up to and justify the initial proposal that I have to lay before the House tonight. How have the public finances of India fared since the crisis of 1931? To what extent has she so far weathered the storm? To begin with, taking our estimates for the current year, she has not only paid her way in the three years from 1931-32 but will have accumulated a surplus of 7,82 lakhs for the reduction of her debt, or the strengthening of her balances. I wonder how many other countries in the world can show so sound a budgetary position; but this is by no means all. During the same three critical years, her external reserves in gold and sterling securities have increased by over 48 crores, quite apart from the potential profit on gold which at present is about 27 crores; and the proportion of these reserves to the note issue has been raised from 40 to 60 per cent. In September, 1931, the total debt, rupee and sterling maturing within five years was over 336 crores: at the end of next month we expect the figure to be only 166 crores, so that near maturities will have been reduced by 170 crores. And by conversion operations and the improvement in credit which has followed a sound budgetary policy the burden of interest has been reduced by well over four crores.

To illustrate the inherent soundness of our debt position there are a few more figures that I should like to quote. In making the comparison I exclude variations in cash balances, which may be described generally as till money. At the end of next month we expect the total indebtedness of the Government of India to be about 1,212 crores, an increase of 293 crores or 32 per cent. over the figure ten years ago. But on the same date the interest bearing assets of the Government will be 978 crores, an increase in the ten years of 314 crores, so that since 1924 the debt not covered by assets—what I may perhaps describe as the unproductive debt—has been reduced by 20 crores and at the beginning of next financial year will amount to only 234 crores out of the total of 1,212 crores.

At the same time, though our total debt has increased by only 32 per cent. and our uncovered debt has actually decreased, by the operation of the scheme for debt redemption which was settled in 1924 the provision to be made from revenue for this purpose has grown by 82 per cent. from 8,78 lakhs to 6,89 lakhs. This increase is of course particularly burdensome at a time when we are, I am confident only temporarily, receiving no contribution in relief of the taxpayer from our principal productive asset, the Indian railways. In the circumstances, we have had to consider very

carefully whether in a time of abnormal depression, when what should ordinarily prove a profitable investment is giving us no return, we are justified in maintaining a rate of debt amortization which, however, appropriate to good times, must throw an additional burden on the already heavily burdened payer of taxes. The conclusion we have reached is as follows. We cannot at present give a considered opinion what the permanent basis of the future provision for the reduction and avoidance of debt should be; but in view of the strong position which has been built up by past efforts and the high proportion of our debt which is invested in undertakings that should again become profitable, it is justifiable and in no way offends against financial prudence for us to reduce the provision for reduction and avoidance of debt to 3 crores both in the current year and in 1934-35. We propose to do so. The House will observe that, if we take the figure for uncovered debt alone, this represents a provision of over  $1\frac{1}{4}$  per cent.

7. Deducting this provision of 3 crores from our current year's estimated surplus of 4,29 lakhs, we are left with a net surplus of 1,29 lakhs. We propose to transfer this surplus, whatever the final amount may prove to be, to a special fund which will be used for assisting the provinces which have suffered from the recent earthquake, chiefly of course Bihar, though we may find it necessary to devote some part of the fund to assisting other provinces such as Bengal. The Council are, I am sure, anxious to know what our definite proposals for assistance to Bihar are, and it will, I think, be convenient if I describe them at this stage. They have been concerted in close discussion with the Provincial Government.

8. The necessary steps to give immediate relief to sufferers from the earthquake are, as Honourable Members are no doubt aware, being energetically pursued, the money for them being for the most part provided from the Viceroy's and other relief funds; but there is one direction in which the Government of India desire to extend their help. The destruction of seven sugar factories in the north of Bihar and serious damage to two others has deprived the growers of cane in this area of their ordinary market for about fifteen million maunds of cane. It is hoped that the bulk of this cane can be got away in time to factories in the south of Bihar or in the east of the United Provinces, and the Railways, chiefly of course the Bengal and North Western Railway, are taking strenuous steps to enable this to be done and are prepared to quote very low concessionary rates of freight, so that a reasonable price should be secured to the grower. But cane has to reach the factory within about thirty-six hours of being cut or it loses its juice, and it will not be possible to move part at any rate of the crop to other factories in time. In order to meet this difficulty the Provincial Government are distributing a large number of crushing mills and pans with which to turn the cane into gur; and when I was in Patna they anticipated that they might be able to deal with about six million maunds of cane in this way. The Government of India have undertaken to bear the whole cost of this measure from central revenues: it will probably amount to about 5 lakhs.

The more difficult problem, however, the solution of which will demand expenditure on a much larger scale, is the problem of permanent reconstruction; and I can perhaps most easily explain to the House the extent of the problem and the manner in which we propose to deal with it if I divide it into four main heads. Where possible I will give an idea of the sums that are likely to be required, but I must make it clear that as yet

[Sir Alan Parsons.]

only very rough estimates can be framed and that the figures I give are given more by way of illustration than as representing any final conclusion of what the bill will be.

There is first the very considerable damage to the Provincial Government's own buildings and other property. For example, I understand that the Dhaka Canal has suffered considerably. A rough estimate of the sum required for rebuilding and repair is a crore of rupees. Here our proposal is that the Government of India should relieve the Provincial Government of half the cost of reconstruction and repair, whatever the amount may prove to be, and should advance the remaining half to the Provincial Government through the Provincial Loans Fund. We propose to treat as capital expenditure by the Government of India the half share which we are taking on our own shoulders.

Next there is the similar damage to the property of local bodies in the affected area. At the best of times these bodies have meagre incomes; their balances are small; and though it may be found possible to ask them to contribute their share towards the cost of reconstruction by taking over the responsibility for some small particular measure, for example, the clearance of wells, it is perfectly clear that the assistance that they can render is negligible and the main task of reconstruction is completely beyond their power. So far, in fact, from their being able to render any material assistance, the municipalities have lost for the time being their main source of income in the house tax, and it will be necessary to equip them, and possibly to some extent the local boards too, with funds with which to carry on their ordinary duties until their revenues recover. For both these purposes, for the reconstruction and repair of local bodies' property and for placing them in funds until their incomes recover, we propose to make a free grant from central revenues, and this also applies to the money required for rebuilding and repairing aided schools in the earthquake area. At present we estimate very roughly that the amount required will be something over one crore, and we propose to meet it from the special fund that I have mentioned, to be formed out of this year's surplus.

Next—and a very important item—I am not however attempting in any way to assign an order of importance to the different items—comes the question of assistance to private individuals. The destruction of their small houses and shops must have deprived many of the poorer inhabitants of North Bihar of their sole material asset; they have been left with neither money nor credit with which to start rebuilding; and it would be only cruelty to offer them loans which they could never hope to repay. Assistance to these people must in our view take the form of free grants, and we think that these free grants to the poorest classes are eminently an object on which the Viceroy's and other relief funds should be expended in so far as they are not utilised for immediate relief. No one who has had an opportunity as I have done of seeing even hurriedly the devastation which the earthquake has wrought in the small townships of North Bihar could fail to recognise how wide the scope for private charity in this direction is. I have no doubt at all that there will be a full response to the need.

It is not only the poorest classes, however, who have suffered from the earthquake. There are very many who would not be fit or willing recipients of charity but who would be quite unable to rebuild their houses

unless they can procure money on easy terms with which to do so. Unfortunately I am not today able to announce to the Council the exact plan that will be adopted for granting loans in these cases. Though the scheme is under active consideration between the Provincial Government and ourselves, and though I have no reason to anticipate any divergence of opinion between us, the details are not yet all settled. I can say this however that it is our intention to make available to the Provincial Government, on terms that will not be burdensome to them, whatever sum may be found to be needed for this purpose. I am afraid I can give no estimate of what the amount will be, but whatever the amount will be, we are prepared to find it.

Lastly, there is the problem of agricultural land. The countless geysers which spouted up in the train of the earthquake have deposited a layer of infertile sand of a depth varying from one or two inches up to four feet or more over a wide area, particularly to the north of Muzaffarpur and Darbhanga. Until a detailed survey has been made of this area it is impossible to say what the extent of the damage has been, though I am glad to say that the latest information we have received is that it may not have been so serious as was at first feared. Until the survey has been made it is of course still more impossible to say what measures can be taken to rectify the damage and what their cost will be. All I can say is that we consider the Provincial Government's balance in their Famine Relief Fund can properly be made use of to restore this damage and that to the extent to which it is insufficient we intend to give our financial support to the Provincial Government in any measures that may be decided upon.

To sum up, the assistance which we offer to Bihar is as follows. We propose to give free grants to cover the cost of restoring the property of local bodies and of placing them in funds till their revenues recover; to rebuild aided schools; and to provide the crushing mills and other equipment for dealing with part of the surplus cane crop. We propose to meet this expenditure from the special fund to which this year's surplus will be transferred; but since much of the rebuilding will unfortunately have to be postponed until after the rains, when more knowledge will be available whether the drainage of the country has altered and foundations for buildings and bridges are secure, we are at present assuming that only 75 lakhs will be needed for these purposes in 1934-35, though if more is found to be needed it is our intention to provide it. We are taking on ourselves as capital expenditure half the cost of restoring the property of the Provincial Government, the total cost being at present estimated at about a crore; we are undertaking to advance the money needed for loans to individuals to the Provincial Government on terms that will not be onerous to it; and we are undertaking to bear the cost of such measures as may be found practicable and desirable to recondition agricultural land in so far as the Famine Relief Fund is insufficient. No reliable estimate of the amounts needed for these purposes, except, possibly the Provincial Government's buildings, is at present available, but we are assuming in our ways and means estimate that there will be a disbursement in 1934-35 of 2½ crores and if more is found to be needed before the end of the next year it will be provided.

I trust these proposals will meet with the approval of Honourable Members. (Applause.)



[Sir Alan Parsons.]

9. I can now turn to our prospects for next year. I will use the net figures for they are, I think, the easier to follow. On the basis of present taxation, we put our revenue at 78 crores 8 lakhs; and estimate our expenditure, including the 3 crores for reduction and avoidance of debt, at 79 crores 61 lakhs. This year's surplus of 1,29 lakhs is turned into a deficit of 1,53 lakhs, a total deterioration of 2,82 lakhs.

10. There is little that I need say about our expenditure estimates, which, as is already known, allow for the continuance of the cut in pay for one further year. We have maintained and are maintaining a vigilant control over all new revenue expenditure and are still on the search for further economies. As a result, taking net figures for interest and defence, we are able to estimate our expenditure apart from debt reduction at 76 crores 61 lakhs, only 2 lakhs more than this year's revised estimate, though we have to find about 22 lakhs for increments and about 7 lakhs for a few new items. And we achieve this result although we are providing 58 lakhs for a half year's instalment of the interest on our war debt against nothing this year, and have to find 50 lakhs more than in the current year for the payment of bonus on cash certificates—a subject which Honourable Members will find fully dealt with in the Honourable Finance Member's speech. We have been assisted in obtaining this result partly by a decrease of 29 lakhs in our opium expenditure corresponding to a decrease which we have to anticipate in receipts, and partly by an improvement of 38 lakhs in the financial position of the Posts and Telegraphs Department which is almost entirely due to the strenuous efforts taken by the department to secure economy in administration and not to an increase in revenue. And here I will break off my review of next year's estimates to explain the first of our proposals for next year. It is not a proposal for meeting any part of the deficit.

We are naturally very concerned at the drop in postal and telegraph traffic and are anxious to do what we can, without making our revenue position more difficult, to stimulate a recovery, and we therefore propose as an experiment to make the following changes in postal and telegraph rates.

First of all, we propose to reduce the charge on letters not exceeding half a tola in weight from  $1\frac{1}{2}$  annas to 1 anna, leaving the charge on letters weighing over half a tola unchanged. We think that this change will benefit both the business community and the poorer class of letter writers. It will cost us, even allowing for some increase in traffic, 27 lakhs in the first year, but if the experiment succeeds this loss should be recovered in the second year, and thereafter there should be a net gain in revenue.

Secondly, we propose to remit the extra pie representing the cost of manufacturing the envelope which has been charged for embossed envelopes since 1931. This again is a change which will benefit the ordinary letter writer. We expect it to cost us  $2\frac{1}{2}$  lakhs.

Thirdly, in order to stop a loss of revenue which is at present occurring through the diversion of post card traffic to book packet traffic, we propose to raise the initial charge on inland book packets not exceeding five tolas in weight from 6 pies to 9 pies. This should give us 5 lakhs more revenue.

Lastly, we propose to substitute for the present minimum charge for ordinary telegrams of 13 annas for a message of 12 words a minimum charge of 9 annas for a telegram of 8 words; and similarly for express

telegrams to substitute for a minimum charge of Rs. 1-10-0 for 12 words a minimum charge of Rs. 1-2-0 for a telegram of 8 words. The charge for each additional word will be 1 and 2 annas, respectively. This will cost us 3 lakhs in the first year, but we hope to get the loss back in the second.

The net loss next year from these proposals is 27½ lakhs, and in present circumstances we could not contemplate their introduction if it meant an addition of 27½ lakhs to the deficit. But there is an expedient, which we think justifiable, by which the loss can be neutralised. Ever since the accounts of the Posts and Telegraphs Department were organised on commercial lines the sum set aside each year for depreciation has been much larger than the amount annually spent on renewals, so that the balance to the credit of the depreciation fund has been mounting very rapidly. This rapid growth suggests that the credits to the depreciation fund under the present system are larger than are really required and we propose to review the whole question next year. Meanwhile, in view of the large balance in the fund, we consider that we are warranted in reducing the contribution from the figure of just over 36 lakhs, which would result from the operation of the existing rules, to a figure of a little less than 8½ lakhs which is the amount actually required for renewal and reconstruction of assets. In this way we shall save in 1934-35 an amount which is about the equivalent of the reduction in revenue from the proposed reorganisation of rates. I must make it clear that a reduction of the depreciation contribution to this extent is a temporary expedient that cannot be repeated, and that consequently the proposed reorganisation of rates is also purely an experiment. There are definite possibilities of further economies which after next year may offset the loss of revenue and the Posts and Telegraphs Department will do their best to effect them. But if they do not materialise or if traffic does not respond sufficiently to this reduction of rates, the necessity for again increasing the rates to such extent as may be necessary will have to be faced.

11. To return to the review of next year's estimates, of the deterioration of 2.82 lakhs compared with this year only 2 lakhs is, as I have explained, due to an increase in expenditure; a decrease in revenue accounts for the remaining 2.80 lakhs, and the drop can be entirely ascribed to two heads, opium and customs. Elsewhere smaller variations balance each other. Under opium as a result of the policy adopted in 1925 with a full recognition that it meant a steadily declining revenue, we have to face a drop of 64 lakhs. Under customs our figure for 1934-35 is 2.25 lakhs less than that for this year and here, without going into too much detail, I must give a brief explanation of the reasons which have compelled us to adopt a lower figure. It is not that we are pessimistic about the prospects of trade; on the contrary we think the chances of a moderate recovery justify us in anticipating a net increase of about a crore and two-thirds in the customs revenue from all items except those that I will specifically mention. But the very rapid development of sugar manufacture in India compels us to face a reduction of no less than 2.95 lakhs below the reduced figure of the current year in the duty on sugar imports; we can no longer expect as a slight compensation large imports of plant for the new sugar factories, and have had consequently to reduce by 32 lakhs the estimate of import duty on machinery; and our estimates of land customs are down by 65 lakhs, again largely because of declining sugar imports, though a payment of arrears amounting to about 32 lakhs is also partly responsible.

[Sir Alan Parsons.]

To sum up, the increase of 1,67 lakhs which we might otherwise have anticipated is turned into a decrease of 2,25 lakhs mainly by a reduction of 3,28 lakhs in our revenue from sugar—2,95 lakhs under sea customs and 33 lakhs under land customs—and for the rest by the loss of 32 lakhs representing duty on sugar machinery, and of 32 lakhs arrear payments received in the current year. The point I wish to emphasise is that the decline in the customs revenue, which more than accounts for the whole deficit, is not due to any foreboding of a further deterioration in the general trade position; quite the contrary. It is due to the marked success which has attended a considered policy of the Government of India and of the Legislature, the object of which was to encourage the growth in India of an important industry the raw product of which is obtainable in ample quantity in India.

12. The deficit, then, on the basis of existing taxation is 1,53 lakhs. We have one proposal for next year which will slightly add to it. We have been carefully watching the position of the export trade in raw hides, and find that, while imports of Indian hides into Hamburg are now less than a quarter of the pre-war imports, those from other sources are still higher than in 1912. There was a little improvement in shipments to Germany in the first half of 1933, but since September there has been again a serious deterioration. We have decided therefore to remove the export duty, which has only been retained purely as a revenue measure and is only expected to yield 5 lakhs next year—and we should be lucky if we got even that. We are leaving the export duty on skins untouched; there has been an encouraging increase in exports this year.

As a result, the gap between revenue and expenditure next year has been raised to 158 lakhs. How shall we fill it?

13. I imagine that Honourable Members have derived from what I have already said an inkling of what our main proposal will be. Sugar which in the best year gave us a customs revenue of over 10 crores and but for the protective duty might be expected to subscribe 7½ or 8 crores to the exchequer, will produce only just over 2 crores next year, while thereafter we must look for a practical extinction of imports. When it is realised that the protection given to the sugar industry has cost the central revenues a sum which is already of the magnitude of 6 crores—a considerably larger sum than that we derive from the surcharges on taxes on income, the tax on small incomes, and the cut in pay combined—no one will, I think, deny that it is reasonable to look to sugar as a means to cover the present deficit, subject always to one proviso. We should do nothing to impair the measure of protection granted to the industry by the Government of India and the Legislature on the advice of the Tariff Board. Now, as Honourable Members are aware, the basic protective duty recommended by the Tariff Board was Rs. 7-4-0 per cwt. with power to Government to increase this duty by 8 annas a cwt. if Java sugar was being imported into Calcutta at a price less than Rs. 4 a maund. That condition was recently fulfilled, and in present conditions it may be taken that the measure of protection recommended by the Tariff Board and accepted by the Government and the Legislature amounts to Rs. 7-12-0 per cwt. But owing to the 25 per cent. surcharge the actual import duty is Rs. 9-1-0 per cwt. or Rs. 1-5-0 per cwt. above the protection which the Tariff Board, Government and the Legislature considered necessary; and incidentally the stimulus given by this extra protection is so great that

there is a real danger of over-production in this country and the establishment of more factories than the internal market can support, in spite of the very definite warning given last year by the Honourable Finance Member to those engaged in this industry that they could not count on a continuance of the existing abnormal measure of protection.

We propose therefore to impose an excise duty of Rs. 1-5-0 per cwt. on all issues, after the 1st April next, of sugar, including khandsari, from factories coming under the Indian Factories Act. We reckon that this will produce 1,47 lakhs in 1934-35. At the same time we are particularly anxious that the excise duty should not hit the cultivators of cane, who, as it is, do not appear to have received invariably the advantage we intended them to derive from our protective policy; and a Bill will be brought forward this session enabling Provincial Governments to apply schemes for enforcing a minimum price for cane to be paid by the factory to the grower. Out of the proceeds of the excise duty we propose to set aside the yield of one anna, or on our estimates 7 lakhs, for distribution among the provinces in which factory sugar is produced, in order to assist the organisation and operation of co-operative societies among cane growers, or other action designed to secure a fair price for cane to them. So we expect a net 1,40 lakhs from the new excise duty. It will be brought forward in a separate Bill and not in the Finance Bill.

14. Sugar will then give us 140 lakhs out of the deficit of 158 lakhs. Where shall we look for the residue? Honourable Members will be relieved to hear that they have learnt the worst, and that we think we can obtain the remaining sum needed to balance the budget by reductions and not increases of taxation. I mentioned earlier that the customs receipts from imports of manufactured tobacco will be 22 lakhs below the estimates this year; and we should have to expect a further decline of 8 lakhs next year if no change in the rates of duty were made. This is because under our present tariff, with the two surcharges which we have had to make, it pays firms controlling factories both in India and abroad to transfer to India the manufacture of certain brands of cigarettes made chiefly or wholly from imported leaf rather than as before to import them. The type of cigarette I have in mind may perhaps be described as the Gold Flake class. By adjusting the relation between the import duty on raw leaf and finished cigarettes we expect to induce a revival of imports which will bring us back 30 lakhs. The actual adjustments are a little complicated and I will leave them to the papers to be circulated; but though they may slightly increase the duty on the most expensive luxury class of cigarettes, they will reduce the duty on the medium priced class which is now assessed at Rs. 10-10-0 per thousand by an amount which is roughly equivalent to the second surcharge, namely, Rs. 2-2-0 per thousand. There should therefore be no increase in cost to the consumer.

We also propose to reduce the excise and import duties on silver from the present rate of  $7\frac{1}{2}$  annas per ounce, of which  $1\frac{1}{2}$  annas are surcharge, to 5 annas an ounce. As I have already mentioned, imports for the time being have practically ceased, and if the present rate of duty is continued we can expect to get only 1 lakh next year, but we think it reasonable to anticipate a larger import on account of the reduction of duty, and an increase therefor of 4 lakhs in our estimates. Our main reason for this proposal is not, however, the small addition it may bring to our revenues. Though in present conditions the high rate of duty cannot be held responsible for the practical cessation of imports, it would certainly

[Sir Alan Parsons.]

operate as an obstacle to legitimate trade and as an incentive to smuggling when India's demand for silver revives and then the existence of this high rate of duty might diminish rather than increase our revenue. At the same time, we think it most desirable, particularly now that the Legislature has ratified the Silver Agreement reached at the World Economic Conference, to give an earnest of our desire to co-operate with other countries in measures calculated to improve the price of silver. Lastly, as Bombay prices for silver have recently been below London parity by more than the equivalent of  $2\frac{1}{2}$  annas per ounce, we think the reduction can be made without necessarily affecting the Bombay price at all or consequently any damage to the internal price. In order not to disturb the market we propose to give immediate effect to this reduction by notification.

15. With 140 lakhs from sugar, 30 lakhs from manufactured tobacco and 4 lakhs from silver, we have filled the gap of 158 lakhs between revenue and expenditure and are left with a small surplus of 16 lakhs. This surplus will be raised to 19 lakhs as a result of two further proposals which I have to place before the Council, but before describing them I must say something about the ways and means position.

16. The two questions with which the ways and means position of the budget deals—our borrowing to meet capital requirements or to redeem maturing debt and our purchases of sterling to meet sterling requirements of the Secretary of State or to strengthen the currency reserves—are closely linked together because we have debt both in India and in England and we have to adjust both programmes so as to secure the best results from the point of view both of revenue, and of currency stability. I will deal with our borrowing programme first. It has been a very satisfactory year and we have been able to improve substantially on the budget forecast. I will leave details to a study of the figures in the Budget Statement, but briefly the result for the current year is as follows. In India we have borrowed just under 31 crores and paid off maturing debt of a little over  $42\frac{1}{2}$  crores; in England we have floated loans of nearly £22 million and paid off loans amounting to a little over £14 million. We have been helped by large receipts amounting to nearly 17 crores from Post Office Cash Certificates and Savings Bank deposits and this in spite of a reduction from 3 to  $2\frac{1}{2}$  per cent. in the Post Office Savings Bank rate of interest and material reductions in the yield on Post Office Cash Certificates. In consequence, on our estimates which, as Honourable Members know, have to be prepared several weeks before we present the Budget, and may therefore be materially exceeded, we expect to be able to strengthen our position by replacing about  $17\frac{3}{4}$  crores of *ad hoc* treasury bills in the Paper Currency Reserve by sterling securities.

The curtailment of capital outlay, which in the current year will be less than  $4\frac{1}{2}$  crores on railways and provincial requirements combined, has assisted us considerably in securing this result, and also in improving our credit. We think, however, that the time has arrived when some relaxation of the restrictions on capital expenditure is not only possible but desirable. We are therefore, as Sir Guthrie Russell informed the Council, allowing next year for an increase of 4,23 lakhs in the capital expenditure on railways and for the allotment of an additional 2,25 lakhs to provinces,

chiefly for loans for reconstruction in Bihar. Even so, we anticipate that next year we could pay off the only loan maturing either in England or in India, the 4½ per cent. 1934, of which about 13 crores are outstanding, without any fresh borrowing. On the other hand, it must be remembered that these ways and means estimates are not a programme; they are intended merely to show our position, and if conditions are favourable we naturally leave ourselves the fullest latitude to take advantage of them either to improve our credit abroad or to fund our liabilities here.

The remittance position in the current year is also satisfactory. Except for a slight temporary set-back in October-November, exchange has been strong throughout. It is always very difficult at this time of year to estimate even for one month ahead what our sterling purchases are likely to be, and the difficulty is even greater this year because of the important developments that have taken place in the international currency situation in the last two months as a result of American policy. One of the results has been to increase the price of gold as expressed in sterling and this has revived the exports of that metal from India. There has also in the last month been a definite rise in the price of India's more important export staples such as cotton, hessians and rice. These developments have enabled us to make large purchases of sterling in the last few weeks. When we prepared our figures we estimated that we would be able to purchase £37½ millions during the current year. As a matter of fact we have already reached that total. If we buy more, it will naturally be reflected in an increase in the outstanding of treasury bills in this country which at present represent a very cheap form of borrowing for us, with a corresponding decrease in the treasury bills held in the Paper Currency Reserve.

On these estimates, if we devote the surplus sterling which the Secretary of State does not require for treasury purposes to the strengthening of our reserves, we should be able to replace treasury bills in the Paper Currency Reserve by sterling securities to the extent of 17½ crores, and should close the year, as I have already mentioned, with our note issues covered by external assets to the extent of about 60 per cent. if gold is taken at its statutory value, or of 75 per cent. if it is valued at its present market price. When it is remembered that the Reserve Bank Act provides that the initial cover to be handed over by Government on the inauguration of the Bank should be 50 per cent. the strength of our position in this respect will be realised. These estimates do not provide for any expansion of the currency. They assume that we will merely be replacing internal assets by external. Should the currency position of the country make such expansion desirable, there will naturally be consequential alterations in the estimates.

As regards next year, we estimate the purchase of sterling at £26·7 millions to fit in with our programme. Naturally here too, if we buy more, we shall utilise the surplus in strengthening our position.

17. If it were possible only to consider the Central budget, that, Sir, would complete what I have to say tonight; but the Government of India cannot afford entirely to overlook the position of the provinces for whom they act as bankers and whose financial stability has some repercussion on the credit of India as a whole. Now though it is not for the Government of India ordinarily to relieve Provincial Governments of their financial problems, there is one case in which, I think I may say by

[Sir Alan Parsons.]

common consent, it is recognised that they are beyond the resources of the Provincial Government and that special help is required. I refer of course to Bengal, which since 1930 has been incurring deficits at the rate of about 2 crores a year, so that unless remedial action is taken she will soon be staggering under an unmanageable load of debt. Without in any way prejudging the plan that may be adopted by the British Parliament for constitutional reforms, we have come to the conclusion that Bengal ought, in advance of that plan, to be helped out of her financial difficulties. At the same time it is clear from the figures which I have already laid before the House that we cannot assist her out of our existing revenues and that, if we are to do so, those revenues must be fortified. Moreover, though we must not prejudge the constitutional plan, we must do nothing that is likely to prejudice it; our action should therefore take a form which is likely to fit in with the new constitutional arrangements. The plan that we propose is as follows. We are asking the Legislature in a Bill which will be introduced in a few days' time to agree to the imposition of a match excise duty at the rate of Rs. 2-4-0 per gross of boxes on matches made in British India, with, of course, a revision of the customs duty so as to maintain the existing measure of protection. The manufacture of matches can easily be transferred at little cost from one place to another, and this proposal is only feasible because we have obtained the co-operation of the great majority of the Indian States, who have expressed their willingness to recover a corresponding excise duty in their territories if matches are either now or in the future manufactured there, the proceeds of both the British Indian and the States duties being paid into a common pool and divided on a population basis. The Bill will of course include power to prohibit imports of matches produced in any State that does not come into this agreement. I must further make it clear that this agreement with the States only covers the period up to the introduction of Federation; neither their nor our position after Federation will be in any way prejudiced by it. In a full year we estimate the total proceeds of the excise duty for the whole of India at 3 crores, of which on a population basis 70 lakhs will go to the States and 2,30 lakhs to British India. In 1934-35 we can only expect to get 11 months' duty, or for British India 2,10 lakhs. Out of this 2,10 lakhs, we shall have to give 18 lakhs to Burma to recoup her for a consumption duty of 12 annas per gross of boxes which under existing provincial legislation is in force up to March 31, 1935, but will be repealed when our own match excise duty comes on. The net addition to central revenues next year by this proposal is therefore 1,92 lakhs.

With our resources strengthened in this way, we propose to hand over half the jute export duty to the jute producing provinces; Bengal will of course receive the lion's share though Assam and Bihar and Orissa, which are both for different reasons in difficulties, will benefit to some extent. The distribution between these three provinces will be made on the basis of average production over the past five years. On our estimates, half the export duty amounts to 1,90 lakhs, from which a small sum of a lakh must be deducted for cost of collection. On this estimate Bengal will receive about 1.67 lakhs, Assam about 9½ lakhs and Bihar and Orissa 12½ lakhs; and I must make it clear that this special assistance to Bengal is conditional on the Provincial Government satisfying us that they are taking every step that is possible on their own account to restore, with

this assistance, financial equilibrium. I need say little, I think, to justify the much smaller benefit which Assam and Bihar and Orissa will derive as a corollary of this proposal. The position of Assam is so difficult that for their part the Government of India do not dispute that she may have a claim for special assistance. To Bihar and Orissa no one at present is likely to grudge it.

18. My task, Sir, is now done. All I still wish to say is this. The proposals I have had the honour of laying before the Council are not haphazard expedients designed merely to meet the temporary difficulty of an unbalanced budget. To the extent to which we have had to resort to fresh taxation to secure equilibrium between central revenue and expenditure we have done so in a form which, without impairing the measure of protection which the Legislature decided that an important industry should receive, will be a suitable permanent addition to our resources and broaden the basis of taxation. Within the limits of our power we have begun to lessen the burdens of the community by the reductions in Postal and Telegraph rates and by the removal of the hides export duty. By relieving Bihar of practically the whole cost of restoring the damage caused by the earthquake we prevent her accumulating a load of debt with which she might find it most difficult to deal hereafter; and by our proposals for assistance to Bengal we not only apply a remedy to a position which is rapidly becoming dangerous, but we do so in a way which cannot fail to facilitate future constitutional reform. Our proposals throughout represent a definite and considered plan, the aim of which is to preserve and strengthen the sound position which past sacrifices have built up for the finances of India, and to do so in a way that should help and not hinder the impending constitutional changes. This is an aim for which support will, I am confident, always be forthcoming from Honourable Members; it is for the fulfilment of it that I commend our proposals to the House. (Applause.)

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#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): It is not proposed, Sir, to ask the Council to meet again before Monday next which, as Honourable Members are aware, has been allotted for the general discussion of the Budget. The four small Bills which have been laid on the table today will be taken up on Tuesday next week.

THE HONOURABLE THE PRESIDENT: Before I adjourn the Council I have to inform Honourable Members that, in view of the Party at the Viceroy's House on Monday next, which all Honourable Members will, I understand, attend, I have decided that the meeting on that day for the general discussion of the Budget will commence at 10 A.M. and that the questions which would ordinarily be put down for that day will be held over to the following day.

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The Council then adjourned till Ten of the Clock on Monday, the 5th March, 1934.





## COUNCIL OF STATE.

*Monday, 5th March, 1934.*

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The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

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### MEMBER SWORN:

The Honourable Sir Suleman Cassim Haji Mitha, Kt., C.I.E. (Bombay: Muhammadan).

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### GENERAL DISCUSSION OF THE GENERAL BUDGET FOR 1934-35.

THE HONOURABLE THE PRESIDENT: The discussion will now proceed on the Budget, Part II, but I desire to point out that I am compelled on account of the paucity of time to prescribe a time limit of 20 minutes for individual speakers. I may also state for the information of the Council that the new taxation proposals need not at this stage be elaborated as they will come up for discussion in the shape of three separate Bills and Honourable Members will have ample and unrestricted opportunity to speak on those Bills when they are before the House. The debate will now proceed.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I am sorry that it has now become the habit of the Finance Department of the Government of India to balance their budgets by additional taxation. The balancing of the budget ought to take place on the expenditure side, but not on the receipt side. We must cut our coat according to our cloth. But here we see that we first determine the expenditure and then make up the income by additional taxation. It is a matter of great regret that the emergency budgets which from time to time have been introduced in this House as an emergency measure are now being consolidated into a permanent one. As far as surcharge of income-tax and super-tax and the other surcharges are concerned, I find that they are now coming into the Finance Bill as a matter of course instead of being done away with. The export of gold is being allowed notwithstanding the great protest which the country as a whole, public bodies and public men have been making from time to time, and this is being done to maintain the present vicious rate of exchange. Sir, generally speaking, the agricultural income of India, which concerns more than 76 per cent. of the population, is constantly going down. I will give some figures to show how agriculture is now

[Rai Bahadur Lala Ram Saran Das.]

faring. I will give the values of agricultural income of various provinces in lakhs of rupees.

Province.	1928-29.	1931-32.	(In lakhs of rupees.)	
			Change in value.	Percentage of decrease.
Madras . . . . .	180,78	101,25	—79,53	44
Bombay . . . . .	120,52	66,56	—53,96	44·8
Bengal . . . . .	232,59	106,71	—125,88	54·1
United Provinces . . . . .	140,52	92,21	—48,31	34·4
Punjab . . . . .	76,78	37,49	—39,29	51·2
Burma . . . . .	63,38	29,20	—34,18	53·9
Bihar and Orissa . . . . .	135,17	71,05	—64,12	47·4
Central Provinces . . . . .	68,77	32,44	—36,35	52·8
Total . . . . .	10,18,51	536,89	—481,62	47·3

Now, Sir, from this we find that although the income has practically dwindled down to half, the land revenue has dwindled down only by 15 per cent. The agriculturist has to pay the revenue, as much revenue as he paid when the prices were almost double and the poor cultivator has now to offer twice as much of his produce to his creditors, whether they be Government, money-lenders or others. Real efforts should be made to raise prices as commerce and industry are in a very bad plight.

Sir, the imposition of excise duties is a measure only for revenue purposes and which according to the economic principles is detrimental to the development of industries. The surcharges on the imports of sugar and matches continue, but no guarantee is given that when the surcharges are taken off the excise duty will be decreased. We want some sort of guarantee by the Honourable the Finance Member in this case. The import duty on machinery and cotton and on other raw materials is against all accepted principles of economics accepted in various countries of the world. Here, Sir, we find that in India this is not observed and this duty was first put in by the certified Supplementary Finance Bill of November, 1931. Surcharges even on mill stores continue. This year the Government has withdrawn the export duty on hides. This is against the recommendation of the Hides Committee which sat some time back and which was presided over by Dr. Meek. The export duty was put on in the interests of the Indian tanning industry and I see no reason why the Indian tanning industry should be made to suffer by the withdrawal of such duties.

So far as the Army budget is concerned, Sir, I find that no reduction has been made in it for some time, notwithstanding the very low prices of foodstuffs and other stores. I mean, Sir, that as compared with last year our Army budget this year is more by Rs. 50 lakhs and that Rs. 50 lakhs has been met out of the Reserve Fund. I should like the Honourable the Finance Member to explain how far this increase in army expenditure which is being met from the reserve is justified, and whether

it does or does not amount to actual increase in the army estimates? We find that some years ago our army expenditure was practically half of what it is now and when all over the world disarmament proposals are being discussed, we see no reason why in India we should go on maintaining this extraordinarily heavy burden of our army. As far as the European army is concerned, I consider it an army of occupation and as it is kept here purely for the British and other interests, I think the total expenditure on that army ought to be met by the British exchequer. Indianization is going on at a snail's pace. The Capitation award which has been given to India and which has to a great deal helped the Honourable the Finance Member to balance his budget is totally inadequate and we request the Government of India to fight for a better share in this respect.

Sir, the Government has seen its way to reduce a trifle on the postage rates on letters; but, Sir, on the other hand, they have increased the postage rate on sample packets and other things which are sent by book post. This is not quite welcome because it seriously affects the commerce and trade of the country.

Sir, we expected that the Government of India will let us know how much further they have gone in the way of retrenchment. When the Retrenchment Committee sat and made certain proposals, those proposals were partly accepted and, if I mistake not, the Government assured us that later on they will consider whether any other retrenchment is possible. We have seen, Sir, that as far as the salaries and allowances of the lower services are concerned and which are under the control of the Government of India, a reduction has been made, but, Sir, it is astonishing to find that no definite announcement has yet been made as regards the scales of pay and allowances of future entrants to the superior services which are under the control of the Secretary of State. It is quite unjust and unfair that the superior cadre of services should remain untouched, while the lower cadre should be made to accept lower salaries. I would therefore request the Honourable the Finance Member to say how far they have succeeded and whether or not it is correct that the Secretary of State for India has ruled that he will not allow any reduction whatsoever in the scale of salaries of the superior services under his control?

Sir, it is gratifying to note that some progress is being made in civil aviation in India and I request the Government to move faster in that direction and keep pace with other countries. I know, Sir, that due to the efforts of the Honourable Sir Frank Noyce and Mr. Tynms, the Director of Civil Aviation, some progress is going on in civil aviation, though at a snail's pace. I understand that this year nearly Rs. 14 lakhs have been budgeted for civil aviation, out of which Rs. 4 lakhs go as contribution to the Telegraph Department, and when we come actually to the encouragement of flying and contributions to flying clubs, we find that only a meagre sum remains for allotment. The contribution to the various aero clubs are such that they do not even meet the expenditure on the establishment of even pilot instructors and ground engineers leaving aside the other staff. I wish, Sir, the Government of India would see their way to make India more air-minded by giving a substantial increase in yearly donations to flying clubs and introduce and encourage air services into India on the same scale as in other countries. It may be said that aviation does not benefit the agriculturist directly; but, Sir,

[Rai Bahadur Lala Ram Saran Das.]

that argument would not stand. There are a number of other departments which indirectly benefit the cultivator but do not directly benefit him, e.g., the Archaeological Department and other scientific departments. We must keep pace with other countries in civil aviation.

Sir, I must bring in the question of the exchange ratio and that 1s. 6d. ratio is being maintained now at great sacrifice and India is suffering from it.

The question of unemployment has not been solved though various committees were appointed by the Government of India and by the different provinces. The time has now come, Sir, when Government should take effective steps to meet this question. Even in England there was a sort of invasion on the House of Commons by the unemployed who wanted their case to be heard. Here unemployment, particularly among the educated classes, is becoming more and more acute every day. As regards other industrial and agricultural workers, the numbers of unemployed are also swelling. I should like to ask the Honourable the Finance Member if he has only lip sympathy with the unemployed or whether he means to move in the matter in right earnest?

Sir, I might cite the example of Italy as far as the appreciation of currency is concerned. Signor Mussolini tried to appreciate the currency by means of a big loan in America. The price of the lira which used to be 107 to the £ fell to 83 to the £ and it was then decided that the appreciation could not be maintained.

Sir, I find that the Department of Industries and Labour in the Government of India is simply a misnomer. The only industrial work the Department under the Central Government does is factory and labour legislation. Sir, in matters of industrial development, the present constitution has created a divorce between power and responsibility. The provinces which are interested in the development of industries have got no power in their hands and they only carry responsibility, while the actual power for stimulating industrial development are in the hands of the Government of India, viz., tariffs, fixation of railway freights, currency and exchange. Under the present constitution, Sir, the Viceroy has, under the Devolution Rules, the power to include any important industry which he considers fit as being treated as a central subject and if I mistake not textiles and the steel industry and a few other industries have been treated as such. I wish, Sir, that industrial development could not take place until and unless power and responsibility are united. High taxation is killing trade and industry in which the salvation of India lies.

Sir, the Government of India had promised to try to make further retrenchments. This year we find that in the Political Department which is already a very well patronized department and where reversal in Indianisation is going on a new Agency to the Governor General has been formed at Raipur, and the work that used to be done through the Central Provinces Government and the Bihar and Orissa Government has been withdrawn. I should like to know, Sir, why this was made and what was the serious defect in the previous arrangement?

THE HONOURABLE THE PRESIDENT: The Honourable Member will please conclude his speech now.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I will not take long. Finally, I would request the Government of India to be generous towards their subjects as the subjects are the root of every Government and unless the prosperity of the subjects is kept in view, and which is the right policy it might involve the Government in great difficulties. "Live and let live" should be the policy of Government.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, this is the last speech of an eminent financier, Sir George Schuster, who is leaving India for good after strenuous work for about six years. (Hear, hear.) Sir, India like the rest of the world had to pass through great economic distress during his regime. Sir, I agree with him that the economic depression has already touched bottom and we can expect trade and industry gradually to improve in future. We have a balanced budget on paper though actually we have deprived the Debt Redemption fund of about Rs. 4 crores. Contribution from the Capitation arbitration brings in Rs. 1,78,00,000 a year in future. In the year 1924 it was Sir Basil Blackett who provided for a Debt Redemption fund on the basis of payment of one-eightieth part of all future debts and a lump sum of Rs. 3 crores for the past National Debt. Now, Sir, it was Sir George Schuster who gave effect to this scheme and even in hard times provided for the payment of nearly Rs. 7 crores a year to reduce our debts. Sir, I do not fully agree with his view of reducing the amount to Rs. 3 crores though for the purpose of balancing the budget that is the best alternative. I admit, Sir, that the balancing of the budget scientifically is a very difficult task which can only be done by an able financier and a genius like Sir George Schuster who had to face realities and run the Government of India.

Sir, as an elected representative from Bengal for the last nine years in this House I cannot but congratulate Sir George Schuster for his far-sighted policy and broad vision. Bengal will be grateful to Sir George Schuster for doing her bare justice by providing nearly Rs. 2 crores as its share of the jute excise duty. Strictly speaking, Sir, Bengal should rightly claim the entire amount of Rs. 5 crores of this excise duty from jute.

THE HONOURABLE MR. BIJAY KUMAR BASU: We have come down to Rs. 2 crores now.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Well, Sir, this excise duty on jute was meant for the benefit of the Central Government as an exigency war measure. What justification has the Government of India to keep it on for decades after peace? What answer can you give?

THE HONOURABLE MR. BIJAY KUMAR BASU: None.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, jute is the monopoly production of Bengal and so any excise duty on it is really borne by the jute cultivators of Bengal, and without this money it is impossible for any Government in Bengal, whether a *Swaraj* Government or this Government, to have a balanced budget. Every year Bengal has

[Mr. Mahmood Suhrawardy.]

been incurring a debt of nearly Rs. 2 crores while all the beneficial schemes of nation-building department, such as health, industry and education, have been ruthlessly curtailed.

Sir, by anticipating the future federal adjustment of revenue, Sir George Schuster has put the people of Bengal under a deep debt of gratitude.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON: What about the rest of India?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, I began by saying that as an elected representative of Bengal I stand here on the floor of this House, and I have been knocking at the door of Government for the last nine years. The door has now been opened and Sir George Schuster with his broad vision and political wisdom has done this justice to Bengal.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: You have been fortunate enough.

THE HONOURABLE SIR DAVID DEVADOSS: Thankful for doles!

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: He has also saved the poorer classes by not increasing the duty on salt and by granting a special fund for earthquake relief measures in Bihar caught the imagination of the masses in this vast country of India and has really laid claim to be "a better *Swarajist* than the *Swarajists* themselves"—as once claimed by a Bengali financier, Sir Bhupendra Nath Mitra, in the other House.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: The relief to Bihar so far has been quite inadequate.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: It was, I think—

THE HONOURABLE THE PRESIDENT: Will the Honourable Member address the Chair?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Very well, Sir, I bow to the Chair.

Now, Sir, I have to criticise Sir George Schuster for his policy of not imposing an export duty on gold; nor do I support him for turning a deaf ear to all our entreaties to have a full review and thorough enquiry into the ratio question and to bring the exchange ratio if possible to 1s. 4d. which would greatly help the poor agriculturists of India.

Sir, I come now to postal and telegraph rates. I would have liked the price of the postcard to be lowered to two pice and the weight of envelopes costing one anna should be at least one tola and not half a tola as in the Finance Bill. Telegraph rates have been rightly lowered but I would suggest that the general rate of an anna a word with a surplus of an additional anna on the total for ordinary telegrams without fixing any minimum rates would have been best.

With these remarks, Sir, I wish the Finance Member God-speed, excellent health and prosperity in his future career.

THE HONOURABLE SIR HOMI MEHTA (Bombay: Non-Muhammadan): Sir, this is the last budget that our Honourable friend Sir George Schuster is placing before this House. Before I come to the subject of the present budget I must say that it would be very ungrateful on the part of the whole of India if the services rendered by him during the last five years are not viewed in the manner in which it should be viewed. Sir George Schuster, since he arrived in India in 1929, had a more strenuous time than any Finance Member of India has ever had before. From 1929 onwards the times began to get worse and worse till 1931 when a real emergency arose and our Honourable friend took courage in both hands and presented before the House a supplementary budget so as to balance the budget of that year. Not only did he try to do that but he put forward a scheme for three years so that the losses may be wiped out and the budgetary position of the country may be restored by the end of 1933. It is history that he has succeeded enormously, if not completely. The previous losses have been wiped out, money conditions in India have been restored, the rates of interest have fallen, and an amount of good has been done which only those who are in the depths of finance in the Indian world can understand. Sir, if he has not been able to take off the surcharge duties which were charged in 1931, it cannot be helped, but I should think that within a year or so these things would become a thing of the past. I congratulate the Honourable Member for the work done, and the whole of India feels most exceedingly grateful to him for what he has done and my Honourable friend has navigated the ship in the stormy waters of 1930-32, and brought it safely to harbour. (Hear, hear.)

Coming to the budget proper, there are two departures from the previous budgets. The Honourable the Finance Member has had to have recourse to putting an excise duty on sugar so as to get some revenue for the revenue lost by the import duty on foreign sugar. The import of foreign sugar, as you are all aware, is falling and consequently the import duty is falling. Government has to govern and has to find money to conduct the affairs of the country, and therefore must have recourse to some measures and I think this excise duty on sugar is the most equitable way of finding some help for Government to recoup the losses they had on account of less import duty on sugar. But my Honourable friend thinks that the putting of Rs. 1-5-0 a cwt. excise duty on sugar will curtail the shipments or possibly do away with all the imports of sugar in this country. I have my own doubts about it. The present price of sugar-cane is about six annas a maund. Eleven maunds of sugar-cane are required to produce one maund of fine sugar. In other words, it is Rs. 4-2-0 a maund for the raw materials before a maund of sugar is produced. The working charges in the most efficient up-to-date mill are about Rs. 2-8-0 per maund. That brings the total to Rs. 6-10-0 a maund cost at the factory door. On the top of that there is the excise duty of Rs. 1-5-0 per cwt. which is equivalent to 15 annas per maund; and that brings the total to nearly Rs. 7-9-0 a maund at the factory. Also the factories have to send the sugar to various parts of the country and if the railway freight is added it brings the cost price at the ports, Calcutta, Bombay, Karachi, to about Rs. 9 per maund. Indian sugar, as we know, is sold at the factory according to quality at prices between Rs. 8-4-0 and Rs. 9. I do not know of a single mill which sells at more than Rs. 9 per maund.



[Sir Homi Mehta.]

Now the imported sugar at the ports, Calcutta, Bombay and Karachi, sells at about Rs. 10-2-0. But at the Kathiawar ports it sells at much under that price. I do not want to throw any mud at the management of those ports, but there must be a screw loose somewhere, because otherwise how could they sell at a lower figure, when with an import duty of Rs. 9-1-0 per cwt. the price should be somewhere about Rs. 13 to Rs. 14 per cwt.? Actually, Java and other countries exporting sugar to India are selling it at a price of 7s., 6s. 9d., and the lowest price is 6s. 6d. according to prices quoted in sterling in Lahore. I cannot understand, with a duty of Rs. 9-1-0 how these ports can sell at the price they do, unless they are making a tremendous loss? Those are the facts. I do not know whether they get a refund or whether the Kathiawar ports are remitting any of the duties to the buyers. I do not want to pursue the matter, but there is some loophole through which this is being done. Then, Sir, the margin of profit, taking account of this proposed excise duty of Rs. 1-5-0 a cwt., would be very small. I must admit that some sugar factories have made enormous profits; but those are factories which only came into existence a couple of years ago and they have the most modern machinery and most up-to-date arrangements that you can imagine. That is why they are making a profit and a very handsome profit at that. But the mills installed five to seven years ago are not equipped with the same modern machinery, and they do not obtain half as good results as modern mills, and consequently they are bound to suffer. Their profits will go down tremendously, I should say to almost next to nothing, and I should not be surprised if a few of them close down altogether. So I hope the Finance Member will consider these points and when presenting the Bill he might think it wise not to put on the whole Rs. 1-5-0 per cwt. excise, but only half that amount, and obtain the balance by raising the duty on imported sugar. He would thus balance the position and would do a good turn to both the industry and the Government. Then the Government must also consider that while sugar factories were making good profits Government was receiving a large sum by way of income-tax and super-tax. I have not got the figures before me, but I understand it is a very large sum. But if the profits are reduced Government will be hit on the other side through lesser receipts from income-tax and still lesser receipts from super-tax. I draw the attention of my friend to these points.

Then, Sir, as to the cotton industry. I will not take up much time as you, Sir, have said that we will have ample opportunity later on to argue the matter in full. But one thing is important and I mention it while our friend the Honourable Sir George Schuster is over here. The import duty of Rs. 25 per candy on Egyptian, Kampala and American cotton is a source of real trouble to Bombay and more than that to British India and I will explain how this is. All this cotton used to come to Bombay harbour and the Port Trust used to get its landing fees and other charges, the bankers had the bills of exchange and insurance companies derived some benefit from it, etc. And all that on account of this pernicious duty, which is equivalent to an excise, has been lost owing to the diversion of more than 50 per cent. of the cotton to the ports of Bhavnagar, Okha, Bedi and others. I do not blame exporters one bit for sending their cotton to those ports, and if the British Indian Government were getting the full benefit of that Rs. 25 per candy import duty and having it credited to the exchequer I would have no grouse. But Bhavnagar, Bedi

and other Kathiawar ports have not got a single mill where they can use that cotton, and they get something like Rs. 50 lakhs from this import duty which they take for their own purposes. Why should they? It is most illogical that that money should go into the coffers of Indian States and not into the coffers of the Indian Government so as to reduce our taxation. If there were mills in those parts, let them have it by all means; nobody could grumble or say anything against it. If Government insist on retaining the duty of Rs. 25 per candy, it is easy for the Government to collect it from the actual users, that is, the mills which use this cotton and pay for it. I do not see how there can be any difficulty in so collecting, and then the British Government can get every pie of taxation into their own coffers.

Then there is another thing which kills the Bombay harbour trade. It is the town duty and all the port trust charges which are far more than in any of the other ports; in short this trade is diverted to these other ports, and at that rate Bombay would be a second rate station or perhaps a third rate city. I hope the Government will take this into account and do something to help the Local Government of Bombay.

I see that His Excellency the Commander-in-Chief is not here and one must give a tremendous amount of credit to him for, though a military man, he has done more than a financier can do, to reduce the expenses from Rs. 56 crores in 1930 to Rs. 46 crores in 1934, a reduction of Rs. 10 crores. Making allowance for what was given by the British Government as a refund, nearly about Rs. 2 crores, still a great saving of Rs. 8 crores has been effected. If the civil departments of the Government of India were to exert themselves in the same manner as the Commander-in-Chief has done, possibly they would save a few crores of rupees per year and that would relieve taxation to a large extent.

Now I come to the windfall which Bengal had at the hands of the Honourable Sir George Schuster. I do not grudge it for one moment; not the slightest. As a matter of fact I congratulate them for having it. But, Sir, I wish Government would find ways and means to help other provinces also. Bombay has been hit hard and her case deserves careful attention. The Governor of Bombay is here today; he will put before His Excellency the Viceroy and the Finance Member and others the difficulties under which the Bombay Government is suffering. I hope the Executive Council Members and others will pay heed to it and will do something for the amelioration of that province also.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY:** But Bombay has already balanced its budget?

**THE HONOURABLE SIR HOMI MEHTA:** I was not going to touch on this controversial subject. As my Honourable friend Mr. Suhrawardy says that Bombay has already balanced its budget, he must understand that the Bombay Government are even charging on electricity supplied a surtax. Bombay have done everything in their power to get their budget square; they have reduced the Executive Council Members from seven to four, which Bengal has not yet done. Bengal still has seven Members. I did not like to say that, but my Honourable friend must understand that before he wants help for his province, his province must do everything possible to square its budget.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Provincial jealousy.

THE HONOURABLE SIR HOMI MEHTA: The Bombay Retrenchment Committee under the guidance of Sir Frederick Sykes, the late Governor, recommended a tremendous amount of retrenchment and the Government of Bombay carried out and saved more than Rs. 45 lakhs. These are things that Bombay have done so as to balance its budget. I do not know if Bengal has done all this, because I am not a Bengali. I have no idea; but I feel that because they have not done all these things that they are still in deficit. I congratulate them on the benefit that they have got from the Government of India. But certainly there should not be a premium on inefficiency. If other provinces have tried to do their best to balance their budget, certainly Bengal should do the same, and it should not set an example for the other provinces to slack.

THE HONOURABLE THE PRESIDENT: Your time limit is over now.

(The Honourable Member resumed his seat.)

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Sir, we have been presented a few days back with an account of India's financial administration and proposals for the coming year, by Sir Alfred Parsons which undoubtedly—to make use of the words of the Honourable the Finance Member—"marks the last chapter in the story" of our present Finance Member, whose last budget proposals we have met to discuss today. We will indeed be failing in our duty if we do not congratulate the Honourable Finance Member for having manned the ship of India's financial administration over troubled waters, right through the period of his term of office, a period that was characterized by the "severest economic disturbance and depression which our modern system has experienced". While congratulating the Finance Member for his logically framed budget speech, I cannot approve of some of the measures proposed therein—such as taxing the common necessities of life like matches.

The over-burdened taxpayer, for instance, gets no redress of his grievances in the new budget. The surcharge on income-tax that was launched as a temporary emergency measure still continues and I am afraid that it has become a permanent feature of income for the Imperial Government.

The measure that has been introduced by the Finance Member in the postal and telegraph rates demands our attention. "With the growing competition provided by telephone and air mail facilities" it is undoubtedly true that "the telegraph business will be permanently damaged", and the proposal of the Finance Member to introduce a minimum charge of nine annas for a telegram of eight words and an additional charge of one anna for every additional word in the case of the ordinary telegrams and double the amount in the case of express telegrams is really commendable. This reduction will surely prove in the long run to be a source of increased income and will heartily be welcomed by all.

But the charges proposed in the postal tariff by which the initial weight of the inland letters will be reduced from two and half tolas to half a tola "coupled with a reduction in charge from one and a quarter annas to one anna" will in no way be conducive to help the poor. The fact that an envelope and a letter paper will weigh together half a tola is inconceivable unless special papers of low weight are specially manufactured for the purpose. The new proposal may be very advantageous to the business man but on the other hand I fear that this proposal will lead to much confusion among the poor and the Government alone will be ultimately benefited by the collection of excesses if I am not mistaken, and this reduction will ultimately prove to be an indirect tax on the poor and the illiterate. This reduction in charge from one and a quarter annas to one anna is quite welcome, provided the initial weight of the letter is also reduced in proportion to the reduction in charge, viz., to one and a half tolas from two and a half tolas; but the enviable reduction of four-fifths of the initial weight for one-fourth reduction in charge cannot but be very much resented.

"It is regretted that the Government cannot contemplate making similar experiment in the matter of postcards. The loss involved in reducing it to half an anna is estimated at Rs. 56 lakhs".

These words of the Finance Member induce us very much, to regret in turn, that the Government is not evincing the necessary interest in the poor man's postcard. I have drawn the attention of this House more than once to the fact that the reduction in the price of the postcard is a dire need, and the cause of the poor must necessarily be taken into consideration. I do grant that this reduction will involve a loss of Rs. 56 lakhs, but the farce of reduction of charges in inland letters with a detrimental and inconceivable reduction in the initial weight which, we understand, will involve a loss in revenue of Rs. 27 lakhs, may safely be set aside and instead the cost of the postcard may be reduced since it is the only commodity that is made use of by the poor and the middle classes, and indeed the taxes on the luxuries of the rich may be increased to meet the remaining loss of Rs. 29 lakhs. The Finance Member, instead of stopping with pious regrets, should have reduced the price of postcards and brought in a new measure to make up the much feared loss of Rs. 56 lakhs from the reduction of the postcard without in any way affecting the poor.]

Again, the proposal to levy a tax on matches made in British India is another parting blow of the Finance Member. It is a growing national industry which is badly in need of protection and not taxation. The poor and the middle classes will be very much affected by this taxation and the growing industry will be heavily handicapped by foreign competition. This tax on matches is levied by the Central Government—"the banker to the provinces"—as the Finance Member proudly terms it, for the plain reason of making up the loss which the Central Government will sustain if it were to hand over half the jute export duty to Bengal which has been incurring deficits at the rate of Rs. 2 crores per annum since 1930. The fundamental reason for this continuous deficit of Rs. 2 crores per annum in Bengal is self-evident as Bengal has incurred abnormal expenditure since 1930 to suppress the terrorist movement. But, I fail to comprehend the logic of helping Bengal in spending large amounts of money for suppressing terrorist movements. Bengal, on the

[Diwan Bahadur G. Narayanaswami Chetti.]

other hand, must levy new taxes or bring in new measures to make up for the regular deficits. To relieve the financial strain of Bengal the poor man's consumption like matches should not be taxed. The Government may act as the banker of the provinces but certainly not at the cost of the poor and the middle classes.

The lot of the agricultural population has in no way been bettered 11 A.M. by the new budget. Rice which forms 50 per cent. of the agricultural produce of India is forsaken completely to face the storm of foreign imports like Siamese rice and wheat which forms only 9 per cent. of the agricultural produce of India has been loaded with protection after protection. In addition to the burden of the fixed money charges which the cultivator has to pay, like taxes, interest and rent, he is also forced to face the damaging storm of foreign import, and the Central Government have turned a deaf ear to the imploring cry of agony from the poor cultivator. I urge on the Government to take immediate steps to completely prohibit the import of foreign rice into India in the interest of the agricultural population.

We readily welcome the proposal of the Finance Member to transfer the estimated surplus of Rs. 1,29,00,000 to Bihar for the calamity of Bihar is a national calamity which demands the help of every Indian. The abolition of the export duty on raw hides will no doubt encourage the export trade which is at very low ebb at present but it will at the same time, kill the nascent tanning industry, and the reduction of duty on silver from seven and a half annas to five annas is really commendable and it will certainly result in the increase of the import of silver.

The increase of duty on raw tobacco and cigarette needs our attention. The duty on manufactured cigarettes imported was Rs. 10-10-0 per thousand and the tobacco needed for manufacturing 1,000 cigarettes is two and a half lbs. But the duty on the raw tobacco is only Rs. 2 per lb. Hence in the face of high duty on manufactured cigarettes tobacco was imported and cigarettes were manufactured here in India by foreign companies with Indian labour. Therefore the increase of duty on raw tobacco imported and the *ad valorem* duty on manufactured cigarettes will not only protect cigarette manufacture in India but also stimulate the use of Indian tobacco.

The Finance Member is justified in levying an excise duty of Rs. 1-5-0 per cwt. on sugar, leaving a protective margin of Rs. 7-12-0 the maximum duty recommended by the Tariff Board. We understand that the rapid rise of the sugar industry results only in "large profits" being made by the sugar manufacturing companies, but the actual grower of sugar-cane gets very little for his cane. We are glad to find that the Government are proposing to fix the minimum price for the cane and thus help the grower of sugar-cane.

It is indeed gratifying to note that the defence budget for 1934-35 is no less than Rs. 10½ crores below the expenditure of 1928-29, which is undoubtedly due to the untiring efforts of His Excellency the Commander-in-Chief, to whom we take this opportunity of expressing our grateful thanks.

Let me conclude by pointing out that the present budget is very unsatisfactory as far as the reduction of debt is concerned. "The obligation to pay completely the allotted share towards debt reduction" has been purposely evaded to present a parting surplus budget of Rs. 1,29,00,000 which would have otherwise been a deficit budget of nearly Rs. 2 crores. Steps should be taken by the Central Government to reduce their expenditure still further and thus enable the Finance Member to present a real surplus budget, after paying the allotted share towards debt reduction. Though the present budget is not satisfactory from the poor man's point of view, India will ever remember the great services Sir George Schuster has rendered to her in the past and I join my Honourable friends in congratulating him and wishing him every success in his career.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce): Sir, the Honourable Sir Alan Parsons when presenting the budget in this House last Tuesday tendered an apology for the time he would occupy in delivering his speech, but I am sure all Honourable Members will agree that such an apology was unnecessary for every word was full of interest and his review of the financial position today and the prospects of the future, were most instructive.

The Honourable the Finance Member's speech in another place and delivered at the same time, dealt with the same subject in much greater detail and at considerable length, which enabled me to hear the latter half and I was particularly impressed with his discourse on the economic situation and the possibilities of future development. I should like however to defer making any comments on this until later.

I will refer first to the fact which the Government of India cannot fail to realize, namely, that in the matter of taxation on imports and income-tax they are now up against the law of diminishing returns. This is due to some extent to the protective policy on which India has embarked and figures given in regard to the sugar trade are certainly staggering, for as a result of the enormous duty imposed on imported sugar the revenue on this one item alone has fallen from Rs. 10½ crores in 1930-31 to an estimated income in 1934-35 of something in the neighbourhood of Rs. 2 crores.

The excise duty now proposed on sugar produced in Indian factories is a clear indication that the cost of protection for the development of indigenous industry, must involve the introduction of fresh methods of indirect taxation if the public services are to be maintained. I have no serious objections to make to the proposed new excise duties as such, but I do protest most strongly to the Government deciding to utilize the proceeds derived from an all-India tax, which is in fact being introduced for this special purpose, so that they can give a rebate to certain provinces, mainly Bengal, who have to pay an excise duty on jute which is only produced within a certain restricted area and not elsewhere in India. I wish to make it clear that I have no objection to the Government of India remitting half the jute tax but to the manner in which they have imposed an all-India tax in order to enable them to do so. This seems wrong in principle and Burma will no doubt have something to say in regard to rice, but I can leave that in other hands.

[Mr. E. Miller.]

I shall confine myself to Bombay who for years past have been asking for more generous recognition of their claims. Her position is now even worse than in the past. The transfer of imports into India from Bombay to Kathiawar ports is a growing menace and will end in irretrievable disaster if prompt action is not taken by the Government of India. The following figures will show how the imports into the maritime states of Kathiawar are growing:

Year.	Imports into Kathiawar State.	Share of Bhavnagar.
	Rs.	Rs.
1931-32 . . . . .	2½ crores	75 lakhs.
1932-33 . . . . .	4 „	233 „

Of the total of Rs. 4 crores in 1932-33, goods to the value of Rs. 2½ crores crossed the Virangam line into British India. I have not complete figures, but I am informed that the imports for the official Bhavnagar year 1933 were up to November last, approximately Rs. 415 lakhs. Customs duty on imports into Bhavnagar which in 1926 amounted to just over Rs. 9 lakhs, rose in 1931 to Rs. 51 lakhs and I understand they are now approaching the figure of Rs. 1 crore per annum.

A complementary aspect to this question, which should not be lost sight of when considering the increasing diversion of the import trade to Kathiawar ports, is the effect which this has in stimulating the export trade as well. Increased shipments to Kathiawar lead to the provision of more direct shipping facilities, which in turn make direct shipments from Kathiawar for certain districts considerably cheaper than shipment from ports in British India.

As Honourable Members are aware, the State of Bhavnagar in virtue of certain treaty rights, enjoys the unique privilege of being allowed to retain the whole of the customs duties levied on goods entering the port of Bhavnagar and the growth in customs revenue which accrues to that State is lost to the Government of India. The process has been going on with ever-increasing intensity for the past ten years, during which time representations without number have been made to the Government of India in the endeavour to enlist their active co-operation in order to check this transfer of trade. The causes are well known and the remedy can only be found by revision in one way or another of the long established treaty rights to which I have already referred. I am aware this may not be easy to arrange but the Government of India must face the situation and until they do, their revenue will continue to suffer increasingly severe depletion.

The latest manifestation of the injury which Bombay is suffering from this cause is the rapid growth in the movement of exporters of cotton to make their shipments through new channels in order to avoid the admittedly high cost of shipment through Bombay. This challenge by other ports to deprive Bombay of the trade which has been immemorially its own is one which cannot be ignored for a moment. It is no exaggeration to state that in this issue is involved the economic existence of the presidency, for that must be wrapped up in the economic survival of the City and Port of Bombay. There has been no lack of evidence of the

determination of the commercial community to defend themselves and to retain the flow of trade for this City, and I think I can also say that the Government of Bombay and its public bodies have now come to see that the problem will not brook delay. It remains for the Government of Bombay and with it the Municipal Corporation, to make their contribution by removing the town duty. It is here that the Government of India can afford immediate financial assistance in a form similar to that now offered to Bengal and the other eastern provinces already referred to. Loss of town duty on cotton is calculated to cost the Government of Bombay a sum of about Rs. 10 lakhs yearly, and the Corporation only a little less. The finances of both are in the most stringent condition, and neither can on the face of it afford to forego even this comparatively modest part of their revenue, though foregone it must be if Bombay's export trade in cotton and probably in other commodities also, is not gradually to sink to extinction.

The Government of India could make no better use of part of their receipts from the new match taxation than by allocation to Bombay's Government and Corporation of the sum necessary to cover their loss of revenue which it is fervently hoped they will have the courage to give up by immediate suspension of the cotton town duty. The sum involved may appear trifling beside Bengal's two crores. The need is every bit as urgent. The Honourable the Finance Member has promised in another place that the Government of India will discuss the matter this week with His Excellency the Governor of Bombay. This is certainly a move in the right direction but having done this I would urge prompt action of some sort and not merely the carrying on of conversations and enquiries. The Government must have or should have up to date knowledge of the position if not it is readily obtainable and Bombay want something more than an assurance that the matter is having attention. I hope the Honourable the Finance Member will make some further reference to this important subject in his reply.

Now, with regard to the removal of the export duty on hides, the proposal is one which must have a mixed reception for no doubt while it will meet with strong disapproval from Madras and Cawnpore, it will receive strong support from Karachi, Calcutta and Rangoon. It is not a trade of which I have much intimate knowledge but speaking generally I am of the opinion that export duties are to be deprecated and therefore the proposed measure seems a very sound and wise one.

I note that the Government in proposing to continue the salary cut emphasize the fact that it is "for one more year" and I would therefore like to remind them that the firm opinion of the European commercial community so often expressed, still remains that the restoration of the cut in pay must be accompanied by the simultaneous removal of the 25 per cent. surcharge on income-tax.

The Government's proposal in regard to provision for the reduction and avoidance of debt is one that may be open to criticism, but in the circumstances it seems to me to be justified. I have sufficient confidence in Sir George Schuster's knowledge of the position and of his cautious policy to believe that he has satisfied himself that the credit of India in the world's markets will be in no way impaired by the measure he suggests. It is not intended that the proposed change shall be permanent as it will only apply to the current year 1933-34 and the coming financial year of 1934-35, and I think we may accept it.



[Mr. E. Müller.]

There is a minor but an important point to which I should like to refer and that is the urgent need for the consolidation of the tariff. This is a matter in regard to which action has been deferred too long and there is no excuse for further delay.

Another matter to which I should like to refer is to join with Sir George Schuster and Sir Alan Parsons in expressing appreciation of the manner in which His Excellency the Commander-in-Chief and all ranks under him have contributed with goodwill to the general scheme of all-round economy. It must have gone against the grain many a time and His Excellency's co-operation has set a wonderful example for which he deserves our grateful thanks.

Now, Sir, in conclusion I should like to refer to a matter which I mentioned in my opening remarks and that is the question of economic development. This I very much regret is Sir George's last budget and for this comprehensive view of the economic situation I think his speech will go down as the greatest one he has ever made and possibly as the greatest of any Finance Member. It is most timely and the wonderful insight and broadness of vision displayed by Sir George will I hope result in a definite scheme taking shape for a comprehensive plan of economic development. This can only be achieved by the formation of an advisory council in the first place whose duty it will be to see that every avenue is explored and that schemes are co-ordinated so that there is no overlapping. In this connection, I should like to suggest that possibly one of the first and most important matters requiring investigation is the redistribution of portfolios and I would again urge on the introduction of a new one, namely, the appointment of a Member for Communications whose portfolio would include all forms of communications—railways, roads, airways, waterways and also posts and telegraphs. I think this is the third year that I have pressed for some such measure in this House and whatever may have been Government's reply in the past, as to the time not being opportune, can no longer be accepted. It has now become an urgent necessity, if the country is to be developed on right and economic lines otherwise Government and private money will be wasted on half-baked schemes which will have to be scrapped at a later date.

Another important matter that requires more detailed investigation is the possibility of developing on a much wider scale mechanical aids to agriculture. The Council of Agricultural Research have done much in this direction as they have in many others, but only the fringe of the mechanical side has been touched. Now some people say that if mechanism is developed to any extent, it will increase unemployment, but this is not the case if it is carried out on proper lines such as I would propose. I am thinking particularly of deep ploughing for the eradication of weeds. I have some practical experience of work of this nature and it is a work that cannot be carried out adequately with hand labour. Because of this, large tracts of land now lying fallow would if so treated be brought under cultivation thereby providing further employment. Increased production may not be necessary at the moment, but we must prepare for the future. It will take years to reach a stage of efficiency in this direction and therefore a start should be made without any undue delay.

Now, one last word. I have already referred to the fact that this is Sir George Schuster's last budget and because I know others will wish to

refer to this, my remarks will be brief. He is leaving India in a financial position which in these times of stringency must be a cause for envy in many other countries and his successor is indeed fortunate in taking over charge at such a favourable moment. Sir George Schuster will be a difficult man to follow and when he leaves I am sure he will take with him not only the goodwill of this House, but of all who have come in contact with him, and the country as a whole.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, it is indeed a very creditable achievement on the part of the Honourable the Finance Member to present one surplus budget after the other in the circumstances well known to every Honourable Member of this House. The surplus estimate as it has been calculated at this moment stands at Rs. 19.15 lakhs, and although it shows a decrease of Rs. 5.46 lakhs as compared with the surplus estimate of last year, it is satisfactory to note that the revenue of the Government of India is expected to yield so much of a surplus after making provision for the province of Bihar to the extent of Rs. 8½ crores to enable it to meet its unforeseen liabilities rendered necessary by the recent earthquake. Had it not been so there would have been a different aspect of the country's budget, but as the earthquake in Bihar is an unforeseen calamity which has fallen on that unfortunate province and its inhabitants quite unexpectedly, proving disastrous in its results to the Government as well as the people, the provision of this relief sum was a matter of great urgency and to cut the matter short it could not be helped. Although the provision of this sum will surely affect the general taxpayer to a great extent, the motive underlying its transfer as such quite justifies the action of the Honourable the Finance Member in advancing it to the Government of Bihar either in the shape of a grant or a loan. Whatever the result of this timely assistance to the unfortunate people of the province of Bihar may be in regard to the Central Budget, I think the Honourable the Finance Member rightfully deserves the congratulation of every Honourable Member for his second surplus budget, no matter whether the surplus estimate for the next year is calculated to stand even at a lower figure as compared with the current one. He is more to be congratulated for the reason that he has succeeded in presenting two successive surplus budgets in the teeth of so many ups and downs in the economic condition of the country, fraught at every moment with great difficulties on account of the general depression throughout the world.

Well, Sir, all credit is due to the Finance Department of the Government of India and especially the Honourable the Finance Member as the Member in charge of that Department in preparing two successive surplus budgets one after the other, this year as well as in the previous one, but if we look at the other side of the picture we will see that these little bits of surpluses as shown in the preceding year and as calculated in the next one, are simply due to the operation of the Supplementary Finance Bill of September, 1931. As Honourable Members are well aware the Supplementary Finance Bill of September, 1931, was only adopted as a temporary measure for a period of a year and a half, and it was clearly promised during the course of its consideration in this Honourable House that its operation will not be required after the lapse of a year and a half. It is now nearly two years and a half since the Supplementary Finance Bill of September, 1931, has been enforced, i.e., it has been in

[Major Nawab Sir Mahomed Akbar Khan.]

operation almost a full year in excess of its stipulated period and still there seems to be no sign of its repeal. As I have already pointed out it was only a temporary measure. It was not designed to become a permanent one. On the other hand, we see that, in spite of its working for almost a year over and above its stipulated life, there seems to be no likelihood of its withdrawal in the near future for no mention to this effect has been made in the speech of the Honourable the Finance Member while presenting the budget under discussion. May I ask my friend the Honourable the Finance Member or the Honourable the Finance Secretary to please explain whether there is any intention on the part of the Government of India to cease the enforcement of the Supplementary Finance Bill of 1931 in the near future? At the same time, I take the opportunity to point out that unless the Supplementary Finance Bill ceases to operate, there is not much to rejoice over surplus budgets.

What the country needs most at the present moment is the abolition of high excessive taxation and some stimulus for the export trade. Is it not a matter of regret to see that both these measures are denied to the country at large? As I have said above no mention has been made of the abolition or reduction of any kind of tax in the speech of the Honourable the Finance Member. The Honourable the Finance Member himself admits that the export trade in our main staples has declined both in value and in quantity. In paragraph 3 of his speech the Honourable the Finance Member remarks:

"That whereas in the ten years ending March 31, 1930, the value of India's exports and re-exports of merchandise averaged just under Rs. 326 crores, in 1930-31 that fell to just under Rs. 226 crores, in 1931-32 to about Rs. 160 crores, and in 1932-33 to Rs. 135½. Imports of merchandise though they did not fall quite in the same proportion as exports, owing to the well-known fact that private gold exports gave India a supplementary purchasing power, nevertheless fell very steeply from an average of Rs. 242 crores for the ten years ending March 31, 1930 to Rs. 163 crores in 1930-31, Rs. 125 crores in 1931-32, and Rs. 132 crores in 1932-33."

As a result of the world depression we may or may not have been so hard hit as some other countries, but we have been constantly told that India being mainly an agricultural country should be one of the worst sufferers on account of the fall in prices. No doubt it ought to have been the case to some extent, but will my friend the Honourable the Finance Member kindly explain as to what steps have so far been taken to restore the prices of agricultural produce in India. It is no use simply telling the people that because other people are suffering, the people of India should also suffer. What is urgently required of him is to find ways and means to remove the cause of distress and suffering. Honourable Members know full well that the masses in India and particularly the agricultural classes were already living on just enough to keep body and soul together and that the present world depression, as well as the heavy rates of taxation, have deprived them of that little also. Honestly speaking, they are living on the verge of starvation and a large number of them are in a state of actual starvation. Under the circumstances, it is highly imperative to explore some effective means to remove their miseries and distress. Some fresh markets ought to be found for the agricultural produce of India and thereby provide restoration of their prices which is the only way to bring relief to the poor agriculturists.

In this state of the country, Sir, it is no use increasing taxation, which gives no relief to the general taxpayer. As it is, the budget figures

show a steady level of tax receipts and a slight decrease in expenditure with three or four exceptions whereas on the contrary the national income is declining day by day. It is said to have declined by over 47 per cent. It is therefore no question of 5 or 10 per cent. cut in expenditure. What is needed is a heavy axe that will bring down the expenditure almost in the same ratio as the fall in the national income. May I therefore ask the Honourable the Finance Member if he has ever considered the question of reducing Government expenditure to the pre-war level? This, to my mind, is the only way to restore the equilibrium of the country.

Reduction in the present rates of income-tax and super-tax is urgently called for. As Honourable Members are fully aware this tax was brought into force in the year 1886. Up to 1918 it was assessed by a tahsildar or the deputy commissioner and it was then a benevolent assessment for there was no question of a close scrutiny or looking into the accounts of an assessee for this purpose. During the war the yield from this source was not found to be sufficient and it was therefore proposed to have it levied by means of a special department. The super-tax was added as a purely war measure. Now, Sir, if we pause for a moment to examine the actual yield of this tax annually, it will be seen that in the year 1911-12 it amounted to something like Rs. 2.40 crores. In 1913-14 it was about Rs. 3 crores and again in 1915-16 it was also about the same amount. In the year 1918-19 it rose to Rs. 11 crores on account of the addition to it of super-tax, which was represented by Sir Malcolm Hailey, the then Finance Member, to be exclusively a temporary war measure. In 1919-20 it rose to nearly Rs. 22 crores but since the abnormal increase of, say, Rs. 17 or Rs. 18 crores was understood to be a temporary increase with the sole purpose of meeting the exigencies of war, it was received by the taxpayers without complaint. In 1920-21 it was reduced to Rs. 15 crores and later on there were small and gradual increases in it until the year 1929-30 when the income under this head was placed at Rs. 16.70 crores. In 1930-31 it was estimated at a reduced sum of Rs. 15.79 crores and in the budget under discussion it has again been increased to about Rs. 17.25 crores. Thus, Sir, Honourable Members can see for themselves how the yields from this source have gradually worked up during the last 20 years from Rs. 2 crores to Rs. 17.25 crores. To make short work of the matter it is undoubtedly a serious inroad on the income of the private individual.

In spite of all this the system to determine the income of an Indian assessee for purposes of income-tax assessment is greatly at variance with that provided in English law. For instance, in English law allowances are made for a family, wife, children and dependents, while there is nothing of the sort in the Indian Income-tax Act. In England the married man is allowed a certain allowance for his wife. He is also allowed a reasonable sum for his children of school-going age, while there is no provision to the effect in the Indian Income-tax law. In England there is also provision for relief to persons without wives and they are given allowances for house-keepers to look after their children and also for a dependent mother or anybody enjoying their support. All these concessions have been absolutely disallowed here. Again, in the case of refunds granted on appeal against an assessment, no cost of appeal is allowed at present, whereas in the ordinary course of law there ought to be some provision for it.

[Major Nawab Sir Mahomed Akbar Khan.]

I would further say that there should be some duty on the export of gold. Gold is the only stabilising factor in this world, and the exportation of gold from this country should be stopped by imposing a prohibitive duty on it. Gold has been exported to the value of 180 crores £ last year and had there been some duty on it this would have brought in very substantial revenue to the Government, and at the same time this essence of wealth styled in different countries as *Lakshmi* or *Deni* in the shape of a goddess should be more zealously watched by the high priest called the Reverend Finance Member and his assistant the Finance Secretary and the lower priests of the Finance Department should consider it a great sacrilege to permit the disappearance of this goddess from this country who has entrusted them to the sacred guardianship of this shrine.

\*THE HONOURABLE SIR SULEMAN CASSIM HAJI MITHA (Bombay: Muhammadan): Sir, I am sorry I cannot congratulate the Honourable the Finance Member for the budget he has presented to the Council. It is true that there is no substantial addition to the existing taxation but at the same time to maintain the taxes at their present high level is not a matter for satisfaction. It is admitted that in the present condition of the country the limit of maximum taxation has been reached as is established by diminishing returns, and in order that both industries and agriculture may prosper a substantial reduction in taxes all round would appear to be called for. It will be argued that the cost of administration has to be met, and to obtain the necessary income the present rate of taxation has to be maintained. To this the reply is that the cost of administration should not be beyond the capacity of the taxpayer and the only remedy to keep it within this limit is to retrench in every possible direction.

Coming to the proposals in the budget I must express my satisfaction at the small reliefs afforded with regard to the postal and telegram charges, but they do not go far enough, and I am afraid that this small reduction will not fulfil the expectation of the Honourable the Finance Member that the loss which is likely to result from the reduction of these charges will be more than compensated by the increase in the use of these services. The reduction in the duty on silver was long overdue in view of its prevailing price and the facilities for smuggling from neighbouring ports outside British India.

The proposals contained in the budget introduce a change in the practice of utilizing all imperial revenue for general imperial purposes, in that, half of the revenue from the export duty on jute is proposed to be given to the provinces which produce this article. This money is to be provided from the levy of an excise duty on matches. I must state at the outset that this duty on an industry which has only very recently established itself against foreign competition in this country will be a serious handicap to its growth. But to devote the income from this duty to return half the revenue from the export duty on jute, to the jute-producing provinces is an entirely novel procedure. Bombay presidency has a great share of the match industry, and to tax this industry to give relief to another province is a proposal to which I cannot reconcile myself.

\*The Honourable Member spoke in Urdu and submitted the translation here produced.

I do not grudge the relief proposed to be afforded to the jute-producing provinces, but what I do urge, with all the emphasis at my command, is that it should not be given at the expense of other provinces. I may be permitted to observe that Bombay is at present in a very sad plight financially. It has to bear a heavy load of unproductive debt and has therefore to spend a large part of its revenue in payment of interest with the result that in order to balance its budget it had to pitch its taxation to the highest possible level and even then to starve nation-building departments.

In addition to this, it is a well-known fact that the heavy charges of the Municipality, the Port Trust, Railways and the Local Government have led to the diversion of the trade of the presidency town to ports in Kathiawar and recently to neighbouring coastal towns and villages. Further the mill industry, which is the premier industry of the presidency is also faring very badly on account of foreign competition. The question of the abolition of the town duty leveid on cotton imported into Bombay is at present under very serious consideration of the Government of Bombay, and if the duty is done away with, the provincial finances will suffer a serious set-back.

In view of these facts no elaborate comments are required from me to show that the presidency of Bombay stands in need of great relief from Central Revenues and the fact that it has managed to balance its budget should not be allowed to stand in the way of granting this relief.

In this connection I may be allowed to strike a personal note. His Excellency the Viceroy is fully aware of the conditions of the presidency of Bombay, and during His Excellency's term of Viceroyalty this presidency, which was the first in India to be under His Excellency's Governorship, expected some favourable treatment and it is very painful to find that, not only is this expectation not realized up to now, but on the contrary, the presidency of Bombay is now being singled out for financial injustice. I have every hope that this appeal to His Excellency the Viceroy will not go unheeded.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay: Non-Muhammadan): Sir, the presentation of the annual budget of a country is one of the most difficult of tasks. It is as gigantic in magnitude as it is onerous. I admit that the Finance Member's position is most unenviable as he finds it next to impossible to satisfy all parties. In 1931 when he uttered the following passage I think he depicted the true picture about the difficulties of a Finance Member. With your permission, Sir, I quote the passage which reads as follows:

"I think, he would be one possessed of a bottomless purse, and a magic wand that could transform human misery everywhere into prosperity. He must be rigid in economy and yet he must not resist demands for beneficial expenditure, always taking care to see that Ajmer-Merwara gets as much as Delhi, and that the North-West Frontier Province is not left behind. He must be able to impose customs duties which will prevent the entry of foreign goods and yet produce a large revenue. And, lastly, I think I may say that he must have the patience of a Job and the hide of a rhinoceros".

But, Sir, in spite of all difficulties I think he has done his duty to this country to the best of his abilities and proved himself to be a true friend of India. I even go further and say that he has established a convention which has a constitutional bearing for the future as well—I

[Sardar Shri Jagannath Maharaj Pandit.]

mean the introduction of the cut in salary of all officials of the Government of India. The emergency in 1931-32, which arose out of a deficit budget was not the only emergency of its kind. In 1921-22 when the Honourable Sir Malcolm Hailey was the Finance Member, the deficit was more and the emergency of balancing the budget was felt by all to be as great as in 1931. But in spite of the non-official pressure then, it was not possible to tap the very source of cut in salary. I think, Sir, what was not possible for the then Finance Member, the Honourable Sir George did that very thing, after a strenuous silent struggle with the Government of India and the Secretary of State, and brought them round to his point of view. As a Finance Member he has come out successful in balancing the budget at a time of world trade depression, the like of which probably the world has not witnessed in living memory. I am not one of those who would like to bring in provincial jealousies between Bombay and Bengal or Bihar and Orissa and the Punjab, between Madras and the Central Provinces or between Orissa and Sind. I believe in the ordered progress of the whole of India and so far as that part of the task is concerned, the Honourable Sir George has played his part well, as he came to the rescue of all the provinces, whenever they needed help. Punjab wheat was helped, Bombay textiles were helped, Bihar and Orissa has been helped in her present dire distress and Bengal has been given relief in the present budget. The North-West Frontier Province has been given a subvention to the tune of a crore. Considering all these things I heartily congratulate him.

If I say anything about the present budget, it will not be with any idea of criticism, but by way of suggestions which, to my mind, may benefit this country more. Firstly, I think the sugar excise has been brought too early as the industry has had no time to adjust itself in regard to capital and labour. Capital was still pouring in, and more time should have been allowed to the industry to adjust itself by competitive prices and the principle of the survival of the fittest should have been given the fullest opportunity to come into play. In regard to the excise on matches, I have only one word to say. The industry was given protection by an import duty on matches, and on veneers and splints and if an excise duty on the matches manufactured in India is levied, the import duty on matches, veneers and splints should have been increased by a corresponding amount which would have maintained the present protection.

THE HONOURABLE SIR GEORGE SCHUSTER: May I interrupt my Honourable friend? That is part of the budget proposals.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: As far as the tobacco duty is concerned, I welcome it and I think the duty levied is too small. Opportunity should be taken to raise it by at least four annas per pound of imported tobacco.

On the expenditure side I think, Sir, the expenditure on defence, which has been estimated at Rs. 44·38 crores, is still too high for India to bear. There appears to be no reason why the military estimates cannot be brought down to the pre-war level, unless the Government openly declare that the present huge army in India is required for military occupation of the country. I would request His Excellency the Commander-in-Chief to rely on the inherent loyalty of the Indians. Train Indians in all

branches of the army. Remove racial distinctions in the army, and amalgamate at least the University Training Corps with the Auxiliary Forces and you will find a large volume of the educated section, who have kept themselves aloof from such forces up till now will come forward to join them. I think His Excellency will agree with me that he cannot expect educated young men of respectable Indian families to go to the training corps and draw a monthly salary of Rs. 12 or Rs. 14, which is given to the sepoy. It is this feeling which is standing in the way of the development of University Training Corps and Territorial Forces. If His Excellency the Commander-in-Chief could see his way to amalgamate the two forces he would find a great change which would ultimately lead to economy.

Then, Sir, I would submit that the introduction of reduced scales of pay will not give the Finance Member any relief. Steps should be taken for the compulsory retirement of all hands on old scales of pay after twenty-five years' service irrespective of age. It may increase temporarily the pensionary charges but, at the same time, it will bring down the normal expenditure. Further, the top-heavy administration in India is the main cause of budget deficits and consequent heavy taxation. If we compare the taxation imposed in this country it may not appear to be very high in comparison with taxes paid by people of other countries, but if we take the *per capita* income in India and other countries and compare such figures, then and then only we find the magnitude of the problem of taxation in this country.

As regards the reduction in the rates of envelopes and telegrams I welcome the proposal but, as it will not give much relief to the poor masses, who do not use these means of communication, I would request the Honourable the Finance Member to consider the reduction of the rates of postcards as well.

With these words, Sir, I conclude my remarks but before I resume my seat I would like again to congratulate the Honourable the Finance Member for the yeoman service he has done to this country during this troublesome period of Indian finance, and as he is leaving shortly I may assure him that he is leaving a memory behind which will remain with us for ever.

THE HONOURABLE MR. J. A. HUBBACK (Bihar and Orissa: Nominated Official): Sir, there is only one aspect to which I wish to refer and I propose to refer to it as briefly as possible, and that is, the provision for helping Bihar in the earthquake disaster. The view has been put forward, and I am glad to say that it has elicited very little support, that the provision is thoroughly—or I think this is the expression used—pitifully inadequate. It seems to me that such criticism is neither decorous nor politic. To put it on the lowest possible ground, a grumbling recipient is not likely to get much more. A display of gratitude is a more likely stimulus to further generosity. Indeed it has been cynically said that the emotion of gratitude is really nothing more than a lively sense of favours to come. It is not that kind of gratitude, Sir, that I propose to express myself here today. I am in a position to say that the Government of Bihar and Orissa appreciate very fully the exceedingly sympathetic attitude of the Government of India in the Finance Department towards that province, in this appalling disaster. If there is any doubt in the matter, I trust that this



[Mr. J. A. Hubback.]

will clear it up. From what I have heard and read of the course of debate in another place, that appreciation is shared there by the chosen representatives of the province, and I am confident that it is also shared by the Honourable Members of this House, whether they come from Bihar or whether they do not. Further I feel sure that the people of Bihar as a whole will heartily endorse the same view. The Government of India have undertaken to bear entirely half the cost of the damage to Government buildings, a free gift of perhaps half a crore. They will advance on favourable terms the cost of the rest. Anybody who has seen, as I have seen, the destruction to Government buildings in Muzaffarpur which is by no means the worst affected place in the province will feel that this estimate is by no means too high. Another crore is to be given as a free gift to Local Bodies for the restoration of their buildings and their roads, and to enable them to carry on their administration until their revenues recover. The importance of preserving communications in the devastated area is simply immense. It will be impossible to deal with the situation during the coming months. I myself saw a few days ago a bridge half-way between Muzaffarpur and Sitamarhi which had as a result of the earthquake assumed the aspect of a two humped camel. It is over such bridges that relief has to be carried now in the dry weather. The Honourable Members of this House can well imagine the difficulties that will set in when the rains begin, unless there is money to do the best we can. Further, the Government of India have undertaken to bear the entire cost of helping the cane growers to find a market for their cane which mills in their immediate neighbourhood are unable to take owing to the damage caused to these mills by the earthquake. The cost of this is relatively small, perhaps about Rs. 5 lakhs, but it is none the less very welcome. Taking all these items together, I reckon that the Government of India have undertaken to give at least something like Rs. 1½ crores as a free gift to the province, and that is something like one-third of the revenue receipts of the province as a whole. Sir, if,—an unlikely event,—the competent authority were to offer myself an increase of one-third of my income even for one year, I should endeavour to work up at least a decent semblance of gratitude. But, Sir, we gather from the speech of the Honourable the Finance Member and of the Honourable the Finance Secretary that this does not by any means cover all the help which the Government of India are prepared to give. There are two other problems which remain, namely, the rebuilding of private houses in the towns and in the villages, and the reconditioning of land damaged by the sand which the earthquake has forced up. For the former problem arrangements are, I believe, almost complete, and I anticipate that those arrangements when announced will be found as generous as those of which we have already full knowledge. Much assistance will be given to the poorer classes from the Viceroy's and other relief funds, as much indeed as the liberality of the public permits. To supplement this so as to help those who are unwilling to accept charity but still require substantial aid, I gather from the speech of the Honourable the Finance Secretary that money will be made available to the Bihar and Orissa Government in such a fashion that Government can make loans to individuals on easy terms. I gained the impression during my visit to Patna last week that probably a crore of rupees will be required for this purpose. It is obvious that anything like

an exact estimate is impossible till the terms have been announced, applications received and the committees with a strong non-official element have been able to scrutinize the applications.

Finally there remains the very important problem of restoring to fertility the land on which the seismic forces have thrown up through innumerable blow holes and cracks large quantities of sand. Viewed from the air, as I viewed it about a month ago, the land looked in the worst places as if it was suffering from two of the worst diseases known to man, small-pox and leprosy simultaneously. To ascertain with some degree of precision the extent of the damage, a special survey is in progress and it was mainly to organize this that I went to Bihar last week. We shall have to cover by survey at least 4,000 square miles and possibly 5,000. My own estimate, which, of course, is no more than a guess at present—I trust, Sir, an intelligent guess—is that it will be found that at least 250 square miles are so badly damaged as to require substantial financial aid for the unfortunate cultivators and owners of the land that has been damaged. I walked over a considerable portion of this land. I found in one particular place that at least half a village was covered with sand. I tested the depth in a number of places. I found frequently more than one foot of sand on the land and in places as much as two feet, and there is perfectly sound evidence that in certain places there is four feet or even more of sand above the original level of the ground. Fortunately, the standing crop has not been very severely damaged, though it has by no means fully escaped. This gives us a little valuable time for devising our scheme of relief. We hope that the survey will be completed by the first week of May and it is intended to give out a considerable degree of relief as it proceeds. More will have to follow and perhaps in some of the worst places it will be deferred until after the hot winds of April and May and the rains of June to October. By then it will be seen to what extent nature has herself shown repentance for her harsh treatment of this area, for it is possible that as the sand dries it will be spread by the wind in manageable depths over the neighbouring country, or even some of it may be washed away down into the rivers and *jheels*. How far this will be the effect no one can say at present. Even at the best there will be a large area which will not in the present year carry any crop whatever and cannot be put into a condition to carry a crop in future years without expenditure of much money and labour. For this it is essential that finance should be provided. I understand that the plan is that the cost will in the first instance be borne by the Famine Relief fund which the Bihar and Orissa Government has built up in the last 13 years. In so far as this proves insufficient—and there is no doubt whatever that it will be gravely insufficient—the Government of India will give financial support.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I ask what the amount of that fund is now?

THE HONOURABLE SIR ALAN PARSONS: I am not quite sure of the exact sum. At the beginning of this year it was, I think, Rs. 33 lakhs, but I believe it will be reduced by the end of this year to about Rs. 25 lakhs, of which Rs. 10 lakhs may be said to be a free balance. But my Honourable friend must not take those as absolutely definite figures.

**THE HONOURABLE MR. J. A. HUBBACK:** My own private estimate for the total amount required for this purpose is at least Rs. 40 lakhs, and how much more will be needed will have to wait until the damage survey which I have just described has made some more progress. It was impossible to start the damage survey any earlier owing to the very large amount of water which had come up with the sand and spread over the land which we are trying now to survey.

There is yet one more aspect of the disaster as it affects the land. There is no doubt whatever that levels have been materially altered, a matter of special importance in a tract where over an area of 5,000 square miles there is no difference of level which exceeds 60 feet. There is strong ground for apprehension that even moderate upheavals will direct the drainage into new courses, while the choking of old channels will aggravate the trouble if floods occur. Thus it is by no means pessimistic to expect that further relief will be required after the rains, quite apart from that which will be required for re-conditioning sanded land.

Sir, I have only to repeat that the Government of Bihar and Orissa, and I feel sure the great mass of the population of that province, sincerely thank the Government of India in the Finance Department for the prompt and generous assistance already rendered in this calamity and have every confidence that similar sympathy will be shown in dealing with problems still outstanding. With your permission, Sir, I should like to add that that gratitude is extended to other departments, notably the Army Department for the admirable help given by the soldiers of all ranks, to the Air Force and, as I said the other day, to the Railway Board.

**THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official):** Sir, as has been observed by previous speakers and as we all know, the Honourable Finance Minister arrived in this country in the year 1929 when the goddess of fortune was smiling on our country with all the exuberance and brilliance of her heart. Unfortunately, however, within a few months after he came here and before he could settle down, clouds were seen in the skies and within a short period, before he could prepare his budget, the ship of the finances of this country which he was piloting was caught in the midst of a storm the fury of which had not been known within living memory before. Let it be said, Sir, to his credit that he has tried his best, used all his energy and skill in trying to save the ship from sinking. On occasions perhaps when the storm was at its full fury, when the waves were high and the wind was blowing, he may have thrown overboard a few goods, a little luggage, some bags, but the passengers and the valuables on the boat have been kept safe by his skill. Our thanks and gratitude are due to him and though we are not yet out of the storm, it is gratifying to note that we are leaving that storm behind us and perhaps seeing on the horizon our haven. We will reach it and when we reach it we will realize the service he has rendered to our country in saving the ship of the finances of the country so well and so nicely. Sir, he will be leaving us very soon. Time passes, but I may on behalf of my province also tell him this, that he will be remembered in this country and the people of this country will be grateful to him for the services he has rendered.

Sir, on an occasion like this, when a budget of such volume has been placed before us, it is impossible for any one to deal with even the most important of the subjects. I shall therefore content myself with referring to two or three points. First some points which we appreciate; next,

some points on which we may have to say something not by way of criticism but by way of suggestions for the consideration of the Government, to be weighed in the balance, to be rejected, if found wanting, and to be used in case some sense is found in them.

Sir, we have got so many subjects, and as regards almost all the subjects, with the exception perhaps of a few, I have nothing to say against. On the good points, I will only choose a few out of the many. First, I would like to congratulate the Honourable the Finance Member and the Honourable Member for Posts and Telegraphs on the little help they have given to this country and to the poor people in particular by reducing postage and telegraph rates. The postage rate is not a very great boon perhaps, but the poor people can use some light paper and the postal envelope, the cost of which also has been reduced, and they will find it a great boon indeed; and in commercial circles, short telegrams will be sent at less cost and thereby those people and others are helped.

The next question to which I would like to refer is this vexed question of sugar duty. Sir, objections have been raised in certain quarters that this excise duty has been levied too soon. It occurred to me, Sir, that it is not a day too early. I wonder whether the Government considered fully at the time what the effect of the protection that they were giving a few years ago on the manufacture of sugar in this country; but within three short years we have noticed what it means to this country. As has been pointed out, Rs. 10 crores was the income on this commodity in the year 1929-30 and it has come down to Rs. 2 crores in the current year. Within three years commencing from the year in which this protection was given, we find the tax coming down to Rs. 7 crores, Rs. 5 crores and Rs. 2 crores; in other words the country has lost Rs. 14 crores in three years in the place of Rs. 31 crores; that meant a loss of Rs. 17 crores and if the same rate of Rs. 2 crores revenue continues for another four years—for I believe that this protection is in the first instance for seven years—the result will be a loss of Rs. 37 crores or more. Sir, if this protection was not given, if the imposition of a heavy tax on foreign sugar was not introduced, the poor people in the country would have had the benefit of purchasing sugar cheaply. Sugar, Sir, is not a luxury; it is a necessity of life. From the biggest man to the lowest peasant sugar is a necessity, but yet the country put up with the import duty because they were anxious that this industry should be developed, that India should be in a position to supply her own sugar, and with that object opposition was not raised in this country even though it meant a heavy tax upon the people of this country. Now, Government have discovered that they have gone too far; and those that object to the present proposals do not realize how much profit has been made by the capitalists of the factories and mills. Sir, I would not in the least grudge my countrymen getting as much money as they can from industries, but it should not be allowed to hit other classes altogether. When certain factories were making as much as half the capital as profits in one year, they did not raise the price of the cane which was reaching their factories. We have it on evidence, and it was admitted in another place, that though the nominal price of the cane is fixed at six annas per maund, fixed not merely by these factory owners but by the Tariff Board itself, in very few factories, Sir, was this six annas a maund given to these cane growers; in many places four annas and even three annas were given, with the result that the agriculturist has lost heavily. He has never been

[Sir Kurma Venkata Reddi.]

benefited by this industry at all and now we are thankful to the Government for having raised this tax, this excise duty of Rs. 1-5-0, with a view to utilize a portion of it towards grants to the provinces, so that the province might see that the agriculturist and the producer is not deprived of his just dues.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will that go for the relief of the agriculturist?

THE HONOURABLE SIR KURMA VENKATA REDDI: Not all; Rs. 7 lakhs of it will go for that purpose if I am not mistaken. I wish the whole of it goes to the relief of the agriculturist and he gets more than he does at present. But, Sir, it is something; it is better than the existing state of things and therefore I welcome this excise duty. After all, what the Tariff Board recommended was only Rs. 7-12-0, and in fact at one stage they recommended only Rs. 7-4-0 and they were prepared to add eight annas more in case foreign sugar sold at anything higher than Rs. 4. The Government have added an extra duty, a surcharge of Rs. 1-5-0; now they want to remove it and levy an excise duty of Rs. 1-5-0. But when Rs. 1-5-0 is levied, factories would be at a disadvantage; therefore a countervailing duty is placed in the place of a surcharge of Rs. 1-5-0 to equalize the loss that will be caused to these factories. Sir, this country has been committed to a policy of safeguarding industries. We all recognize it, but when the effect of this safeguarding is to enrich a particular section at the expense of others, we have to pay heavily for, as I told the House, we are paying a higher rate for purchasing sugar, which we could have got if this protection Bill had not been passed. If this protection was not given we could have easily purchased foreign sugar at a much cheaper rate indeed. The country has been making a sacrifice and I do hope that the millowners and the factory owners will be prepared in their turn to make a little sacrifice on account of the Rs. 1-5-0 new excise duty imposed on them.

Sir, I should like now to proceed to the few points on which I said I have something to say not exactly in consonance with the Government's views. First, there is this question of this grant to Bengal. In another place we have seen there was wrangling between the various representatives of the different provinces. The dignity of this House, the sober nature for which it has been famous will not admit of us entering into those wrangles. Speaking for Madras, I will say that we do not grudge this grant to Bengal. If, as the Honourable the Finance Member has told us in his speech the other day, that Government have examined the situation, found that the Bengal Government have been getting into debt year after year and that they have satisfied themselves that there is no other way of extricating them out of the mire into which they have got, help from the Imperial Government is a necessity, and we are prepared to accept it. But, Sir, this subject has got a number of facets and viewed from a different angle, from a different standpoint of view, things will appear in a different light; and if I am speaking on this subject at all, it is not to question the right of Bengal to receive this amount, but to place before the Honourable the Finance Member the fate of Madras and her financial condition. Outside, people believe that Madras has got a very flourishing budget, that the cut in salaries has also been restored and that Madras

must be a prosperous province indeed; but to those that come from that province, it tells altogether a different tale. Sir, the Honourable the Finance Member could not have been ignorant of the description that is given of Madras and the United Provinces as the milch cows of India. It is an old, old story, Sir, and I do not like to go over the whole of it, especially as the Honourable the President has been pleased to give us only twenty minutes each.

THE HONOURABLE MR. BIJAY KUMAR BASU: At present the milch cows are dry.

THE HONOURABLE SIR KURMA VENKATA REDDI: No, Sir. They were bled and bled white to save other provinces.

Sir, the history of the financial relations between Madras and the Central Government is a long one. From the time of 1871, before which all revenues were considered to be the revenues of the Government of India, from the time of the period which we used to call the period of doles when Government used to allot certain funds to the provinces for their expenditure, during the 22 or 23 years of the quinquennial settlements, during the period of *quasi*-permanent settlement, during the period of permanent settlements, during all those years Madras had to economize and hand over the funds and balances into the treasury of the exchequer of the Government of India or had to receive a smaller share than other provinces. (*An Honourable Member*: "About Rs. 3 crores a year.") I have yet to come to that. That brings us to the period of the Meston Award. The Indian Government was faced with a deficit of Rs. 983 lakhs or roughly Rs. 10 crores. And how was it distributed? Out of all the principal provinces, Madras was made to pay Rs. 348 lakhs or more than one-third of the whole debt or deficit of the Government of India. Bengal, Sir,—and my friends from Bengal need not be offended when I speak of this,—Bengal ought to have got Rs. 183 lakhs to pay if the Meston Award was correct. They managed to get off with Rs. 63 lakhs—

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Managed?

THE HONOURABLE SIR KURMA VENKATA REDDI: I am perhaps not very accurate in my English but we are all foreigners and we ought to be excused if the exact word is not used.

Well, Sir, it will be noticed that even these Rs. 63 lakhs were dispensed with immediately after the Devolution Rules were passed. In rule 17 or rule 18 of the Devolution Rules, there is a clause which says that if there should be any change in the contributions fixed thereunder, that change ought to be placed on the table of the House of Commons and the House of Lords for a certain period. Even without that constitutional formality—now I use the word deliberately—Bengal managed to get the Rs. 63 lakhs excused.

(The Honourable Mr. Mahmood Suhrawardy again protested, but the Honourable the President said as the House was pressed for time he would ask Honourable Members not to interrupt the speakers.)

But, Sir, there is another aspect of looking at this matter. When the Government of India say that they have examined the case and found it to be a fit case, we are bound to accept it and I do accept it. But may I in all humility suggest if it has been considered whether this would not be placing

[Sir Kurma Venkata Reddi.]

a premium on extravagance? Whether it is not a test that one should be only capable of spending and not of saving? Whether we are not actually inviting Finance Members of the provinces to show deficits in their budgets so that they may send out an S. O. S. to the Government of India that more money might be given to them? It is that principle that I would like to be considered and if it has already been considered and the Government have come to the same conclusion that they have come to, I, for one, would have nothing more to say. But what I do say, Sir, is this, that whereas we find Madras collecting Rs. 17 crores a year. If you look at the budget figures of the United Provinces, Bombay and Bengal, Sir, you will notice that my province is the one in which the incidence of taxation is the highest. We collect Rs. 17 crores a year, whereas Bengal only collects Rs. 9 or Rs. 11 crores, and the United Provinces Rs. 11 crores, and Bombay Rs. 13 crores, and yet, Sir, our population is less than that of the United Provinces or Bengal. The population of Bengal is 51 millions, ours is 47 millions, and of the United Provinces 49½ millions, and it cannot be denied that Bengal is the richest province of India and the land there is the most fertile, and if you take the figures given in this review on pages 8 and 9, in tables 5 to 10, you will notice that Bengal comes first in the value of agricultural produce. And when these values have gone down and when Madras is purely an agricultural province with no industry like that of jute in Bengal, would that not appeal to the Government that, while they might be perfectly justified in helping Bengal, there is a case and a very strong case for Madras for similar help?

Sir, all that glitters is not gold. The fact that we have been paying more taxes than other provinces, the fact that we are a peaceful race, the fact that we do not commit dacoities, ought not to be used against us. We are a law-abiding race, we pay taxes cheerfully during prosperous times because we know that with the advancing needs of civilized society, Government will be called upon to discharge duties and render services much more than they used to do in earlier times. Our people were willing to pay as long as they could. But what is their present condition? And that leads me, Sir, to my next subject.

THE HONOURABLE THE PRESIDENT: The Honourable Member's time is up and he cannot embark on a fresh subject.

THE HONOURABLE SIR KURMA VENKATA REDDI: Sir, I shall be glad to resume my seat. I only wish to point out that this question of rice is very important to us.

THE HONOURABLE THE PRESIDENT: Honourable Members must remember that there are other speakers.

THE HONOURABLE SIR KURMA VENKATA REDDI: Sir, I obey the Chair.

THE HONOURABLE RAI BAHADUR PROMODE CHANDRA DUTT (Assam: Non-Muhammadan): Sir, the budget has been discussed at length in the press and in the other House as also by the Honourable Members who have preceded me and little that could be said for or against has been left

unsaid except that Assam—that Cinderella of the provinces—is no where in the picture. If I intervene at this stage, it is to make a last attempt to impress on this House as well as the Government how grave is the financial position in that hapless province. I use no language of exaggeration or panic when I say that there is serious risk of a breakdown unless its all too meagre resources are not materially strengthened without further delay. Allow the present state of things to continue for a year or two more and you will have either to dissolve the province or reduce its status—there is no escape from that position.

The situation in a word is this. Up till 1874, the territories constituting the province of Assam were parts of Bengal. By a notification of that year, the Government of India took those territories into their immediate management. The separation was not of our own seeking and it was their bounden duty to see that it did not in any way hamper the moral and material progress of the people concerned. The history of Assam since that fateful notification is however a history of cruel neglect. It was constituted a Chief Commissionership and relegated to a backward standard of administration. Constitutionally however it was a direct charge on the Government of India and it could call upon them for any assistance, financial or otherwise, that it might require.

In 1921, with the introduction of the Montford Reforms, there were two fundamental changes made. On the one hand it was raised to a Governorship with its costly paraphernalia, on the other hand it was deprived of the constitutional advantage of calling for financial assistance from the Centre and thrown entirely upon its own resources. In the allocation of revenues however a standard plan was followed—no allowance being made for the special needs of the undeveloped provinces. The Meston Award made the position of Assam worse, for it levied on the province an annual contribution of Rs. 15 lakhs without at all taking into account her need for working up to standards of administration which previous circumstances had made possible for more developed provinces. Add to this the fact that a lot of backward tracts has been attached to Assam which cannot pay for their own upkeep. The Government of India have consistently refused to grant a subsidy to cover the deficit on this account which annually amounts to nearly Rs. 8 lakhs. But this is not all. Assam has been saddled with part of the cost of maintaining the Assam Rifles which are Central Police and intended to guard the North-Eastern Frontiers. This costs her Rs. 4 lakhs a year although for the protection of the North-West Frontier the North-West Frontier Province has been granted a permanent subsidy of a crore of rupees. The cumulative effect of all these has been to place Assam in a permanent deficit although she lacks even the minimum requisites of a self-contained unit. It is now proposed to invest Assam with an autonomous constitution which will entail additional expenditure. There is, of course, the promise of the grant of a subvention to cover the deficit but that cannot meet her needs. And lastly, it is assumed that later on Assam will join the Federation. The prospects of Assam are gloomy in all conscience. What do I suggest will be the question asked? My suggestion is to place forthwith at her disposal enough resources to enable her to make up the leeway. Nobody knows when autonomy will come and to postpone assistance till then is to hasten the breakdown. When indeed is autonomy coming? The Statutory Enquiry begun in 1927, the Committee reported in 1929, the Round Table Conference and the Joint Parliamentary Committee



[Rai Bahadur Promode Chandra Dutt.]

concluded their labours in November, 1933, and the Committee is not expected to be able to report before May next. It will be a miracle if the necessary legislation can be got through by December next as some people would seem to think. Supposing the days of miracles are not yet over, there will be much spadework needed before the next general election can be held. As far as one can see, there is little chance of autonomy coming before 1936 and that late in the year. But there is another factor to be reckoned with, which Sir Samuel Hoare has been so anxious to stress. The Constitution Act will not be put in force unless and until on enquiry which has yet to be held it is found that the provinces will be able to bear the burden of expenditure which the new constitution will entail and he envisages the possibility that the provincial resources may prove to be insufficient, in which case the whole position will have to be reconsidered. What are the deficit provinces to do in the meantime? The North-West Frontier Province is already in receipt of a substantial subsidy. Sind and Orissa which will be deficit have yet to be created. The trouble for the moment is about Bengal and Assam. I am extremely glad to find that Bengal has been provided for in the budget and I congratulate her on her good fortune with all my heart. But if Bengal is piling up deficits at the rate of Rs. 2 crores a year—a fact which justifies this special treatment—what is the position in Assam? She is piling up deficits at the rate of half a crore a year. Her annual receipts from the revenue heads which are steadily diminishing were Rs. 220 lakhs in 1932-35. For the current year the revised estimate is Rs. 197 lakhs and the budget for the next year provides only for Rs. 194 lakhs. Her loan operations are insignificant and may be left out of account. Taking the best view of things, her income for the year 1934-35 cannot exceed Rs. 200 lakhs. What would be her debit balance on the 31st March, 1935? It was Rs. 89 lakhs on the 31st March, 1933, the deficit of the present year is estimated at Rs. 40 lakhs and that for the next year at Rs. 61 lakhs. Her total debit at the end of March, 1935 will therefore be Rs. 190 lakhs. What to think of a province of which the revenue is Rs. 200 lakhs and the debit balance Rs. 190 lakhs? Am I exaggerating when I say that Assam is heading for financial breakdown? It is the loans from the Provincial Loans Fund which keep the province going and that on a mere subsistence basis. No development is possible—expenditure has been cut down to the bone. Can there be a stronger case for immediate financial relief? In a statement to the Joint Parliamentary Committee, Sir Samuel Hoare stated that of all the provinces Assam and Bengal are in permanent deficit—he brackets them together—and that, and I emphasise these words:

“Whether changes take place in the constitutional field or whether they do not it is necessary to put a stop to it”.

It will be a fatal mistake to wait till the inauguration of autonomy before rendering help to Assam.

The Government of Assam has asked that the excise revenue derived from the oil produced within her borders may be allocated to her. In this demand it has been backed by public opinion and the Legislative Council of the province. But it is an open secret that the Government of India are opposing it on the ground that the Central Government cannot spare it. How do they make a distinction between revenue on account

of jute and the revenue on account of oil? Bengal holds a monopoly of jute with two other provinces. Assam produces oil which yields no less than Rs. 125 lakhs a year. The only difference is that in the case of jute it is subject to an export duty while in the case of oil it is subject to an excise duty. If you can assign export duty to one province I do not see why you cannot assign excise duty to another without doing violence to your financial conscience. In fact, the Percy Committee has laid down that while the excise duty should be levied by the Central Government the proceeds thereof may be made over to a Provincial Government in whole or in part. If the Centre cannot do without the oil revenue, the province which produces it cannot also do without it and if the Government of India were not to dog the province would not part with it. We have been told that the matter is under the consideration of the Joint Parliamentary Committee. But Assam was not allowed to be represented before it and nobody knows what is taking place behind the scenes. Bengal has extorted the jute duty in spite of the Government of India and the latter were probably afraid that to allow representation to Assam would be to invite an open demand to the oil revenue on her behalf. Assam can be safely ignored, she was and is being ignored. Nothing can better describe her helplessness *vis-a-vis* the Government of India than the words her Governor used when His Excellency last addressed his Legislative Council. May I, Sir, point out in this connection that the policy of discriminating protection adopted by the Government of India at the instance of the industrial provinces which now seem to rule the roost, is throwing great burdens on the agricultural provinces. Although there has been a separation of the central and the provincial revenues, the position is such that the Central budget reacts on the provincial ones in so far as it affects the capacity of the people to bear future taxation for provincial purposes. An agricultural province like Assam in return for the sacrifice she is called upon to make in the interest of the country's industrial development can legitimately ask that she should be helped out of the central revenues if necessary at the expense of those provinces into whose pockets the protective tariffs are putting in her money. We are told that we are paying more now in order to pay less in the future. This may indeed be true, but we must survive before we can enjoy.

Sir, in all the discussions relating to the constitutional changes the question of finance has been kept in the background. But no constitution, however good, can avail in the least unless it has a sound financial backing. This aspect of the matter has been lost sight of even by our leaders in their anxiety to see responsible government established in this country. I for one do not want any constitutional advance whatsoever if the price for it is the perpetuation of a backward administration and no prospect whatever of future development. I would rather go back than forward to find money for nation-building purposes. It would be a mockery and a curse to introduce an expensive constitution without providing adequate finance.

As to Federation. I view with great anxiety the prospect of Assam having to join it. An unequal combination is always disadvantageous to the weaker side and until Assam has approached the other provinces much nearer in moral and material development she will be more helpless in a Federation than even she is under the present constitution. What the Government should in fairness do is to prescribe a minimum standard for every province that will be called upon to join the Federation. Place

[Rai Bahadur Promode Chandra Dutt.]

funds at its disposal to enable it to attain to that standard and postpone its entry into the Federation till that standard has been attained. In the Federal Legislature Assam will be very poorly represented. She has been given representation in the Lower House mainly on the basis of population and hers will be the feeblest voice there. In the Upper House where each province should have been allowed equal representation irrespective of its size, population or wealth as is the case in several federal constitutions, the bigger provinces have again been given preponderating representation, and the Upper House, instead of safeguarding the interests of every unit, will be at the mercy of a combination of the bigger provinces. This does not augur well for the weaker provinces.

Sir, I was reading yesterday morning the Honourable Sir George Schuster's reply to the budget debate in the other House. He did not in so many words reply to the appeal made on behalf of Assam. But while vigorously defending his action in assisting Bengal, he is reported to have said :

"That was all that Government could do at present and no province should entertain the hope that there were other schemes up their sleeves that would enable them to answer an appeal *ad misericordiam*. If the Government of India under a particular constitution raised a particular tax allotted as a source of federal income, that did not mean that the tax was taken away from the Federal Government".

Sir, the significance of this rebuke is perfectly clear, but I have a sort of impression that there was a time when he was dead against giving Bengal any part of the jute duty. Inexorable necessity has forced his hands and I am certain that even if he has said his last word on the subject, his successor will find his hands equally forced and rush to the rescue of Assam. It is at least in this hope that I have taken up so much of your time.

**THE HONOURABLE MR. J. B. GLASS** (Burma Chamber of Commerce):  
Sir, I would associate myself with all that my leader has said in regard to the presentation of the budget by the Honourable Sir Alan Parsons in this Council and the masterly speech by the Honourable the Finance Member in another place. |

My friend the Honourable Mr. Miller has dealt generally with certain special features of the budget and I being in the main in agreement with his views will not waste the time of the House in covering similar ground. In regard, however, to diversion of trade to the Kathiawar ports and the suggested suspension of the cotton town duty I feel sure Bombay timber merchants will be grateful to me for calling Government's attention to a similar duty on timber of considerably higher incidence which has I consider assisted in the divergence to Kathiawar ports of much timber formerly handled through Bombay.

I now come to the point of view of my province on the budget and welcome the removal of the import duty on hides, a measure my Chamber has long pressed for and which I hope will materially assist an almost ailing industry to meet competition with our other sources of supply.

In regard to the refund of half the jute export duty to producing provinces I do not cavil, under the circumstances, at the assistance given to

producing provinces even out of what should be, under the present constitution, central funds as the method is obviously based on the proposals for federal finance under the new constitution. I do, however, consider the needs of my province, with annual recurring deficits of a crore, are equally urgent and my Chamber has requested me to record their emphatic opinion that similar treatment should be accorded to Burma in respect to the rice export duty. Burma contributes over 90 per cent. of this duty and refund of half to producing provinces would be only equitable. Omission of Burma from the White Paper cannot be regarded as a valid reason for differential treatment, and adjustment now made in the jute duty should, correspondingly and automatically, in all fairness, be applied to the rice duty.

In Bengal some 80 per cent. more rice is produced than in Burma but relatively Bengal exports only a small quantity and imports rather more. The fall in the price of rice in Bengal is therefore of lesser importance than in Burma as in Bengal many other crops can be grown and are grown. The rice growers certainly suffer to the extent that they sell their produce but others in Bengal, including the jute growers, profit by the fall and get their food cheap. In Burma it is impossible in the main to substitute other crops for rice, which has to be grown in such quantity, that some can be exported to buy other necessities, therefore every section suffers more severely through the fall in value.

In India as elsewhere it has perhaps not been altogether fully appreciated what the wider world consequences of protective policies adopted may be. Take as an example the protective duty on sugar which has involved a loss in revenue to the Government of India of some Rs. 8 crores and which even under the excise now proposed is the equivalent of 200 per cent. *ad valorem*. This has resulted in the loss to Java of an important market for sugar and Java is now turning her attention to rice resulting in the practical cessation of Burma, Siam and Indo-China exports of rice to that country. It may therefore be claimed that Burma pays in fact indirectly for the prosperity which crushes, if not always the cultivators, are now deriving from the growth of the sugar industry in India.

Burma also suffers under the new tariff schemes as they are almost uniformly disadvantageous to the province, apart from our association with India, and these I think are arguments for India giving Burma the utmost assistance possible, one direction I would suggest being in regard to a duty on imports of foreign rice, which have been increasing alarmingly, in view of the already restricted markets for the Burma surplus.

Burma's revised estimates for 1933-34 are in deficit by Rs. 118 lakhs about one-seventh of the total revenue receipts and its budget estimates for 1934-35 show again a deficit of close on a crore.

Many drastic economies have already been effected in Burma which have brought expenditure very much below normal while the report of a Retrenchment Committee, on which business interests are represented, is shortly expected and it is understood further large savings will be suggested. Until, however, prices for Burma produce, mainly rice, rise substantially sums borrowed must continue largely to exceed sums actually repaid. |

[Mr. J. B. Glass.]

The remissions which it has been found necessary to grant to payers of revenue in 1933-34 as against the budget figures estimated for in February, 1933, compare as follows:

	Estimated. February, 1933.	Since found 'necessary.
	Rs.	Rs.
Land revenue . . . . .	20,00,000	87,00,000
Capitation tax . . . . .	7,50,000	22,00,000
Thathameda tax . . . . .	2,50,000	8,00,000
Forest royalty . . . . .	..	15,00,000
Total . . . . .	30,00,000	1,32,00,000

These concessions account for the major portion of the fall in revenue but naturally the depression has affected other heads.

Despite these reductions the people are pleading for further relief and in many districts of Upper Burma prices have to be settled by barter instead of in terms of money. The person who is perhaps suffering the most is the landlord who was hit so badly in 1930-31 when he generally failed to recover loans made to his tenants before the slump developed. Lands have had to be taken over by Burman and Indian money lenders alike, as against failure to pay even reduced principal and interest, and this from the business point of view is not the rapacious grabbing of land it is sometimes depicted to be. The actual facts as I understand them are that advances and interest frequently extended to 75 per cent., or more of the original value of the land say perhaps Rs. 150 per acre whereas today much of the land is to all intents and purposes unsaleable.

In further reference to the cultivator, after a reduction of capitation tax by 20 per cent. to Rs. 4 for a married man and Rs. 2 for a bachelor and despite the cheap cost of living the demand for these surus in cash is heavy and he also perhaps at times fails to recognise that the passing of his land to others on the terms above stated, has relieved him of a burden. My fear therefore is, if the present depression continues with a continuance of current low prices, that landlords and money lenders will be so destructively hit by the slump that credit for cultivation may dry up. Government cannot finance the paddy crop of Burma and their experiences over agricultural advances can hardly have been a happy one. Should my fear materialize I see danger of a possible recrudescence of trouble, particularly in a province which was so recently involved in a rebellion, which, while initially political in aim, was nourished by economic conditions.

I think, Sir, the Honourable House will agree with me that in the facts that I have just put before you the allocation of at least half the export duty on rice on lines similar to the jute tax would be only fair and equitable.

Before I sit down I should first like to say how much I welcome the Honourable the Finance Member's most able and thoughtful survey of economic prospects, in his speech, and trust that the provincial conference which is being called for in April will lead to concerted and co-ordinated measures to improve the general economic situation particularly in regard to agriculture.

Secondly, in regard to the reductions which have had to be made on timber royalties in Burma, I suggest that the Indian Government operations in the Andamans may be regarded as a contributory factor. Government there are trading, which is always a bad thing, and further are conducting operations at a loss except so far as the extraction of match-woods is concerned and this, without the allocation to costs of royalties, such as forest lessees have to meet in Burma and elsewhere. They have also been working on lines which can be regarded as sylviculturally unwise if not unsound. How long is this unfair competition with private enterprise to continue at the expense of provincial forest revenues and the taxpayers of India?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, at the outset I also join hands with my other colleagues in congratulating the Honourable the Finance Member for two things—one is the relief given to the province which I have the honour to represent and the other for giving such prompt and generous help to the sister province of Bihar which has been affected so very badly by the recent earthquake. I think the help rendered by the Finance Member will remain for ever in the hearts of the people of India as a living monument.

Then, Sir, I come to the present budget which consists mainly of two parts—one is the revenue side and the other the expenditure side. Taking the revenue side first we find that the Honourable the Finance Member has tapped three main sources, *viz.*, excise on sugar, duty on imported tobacco and excise on matches. Sir, the sugar industry was given protection only about three years ago and after giving protection for three years to come forward with an excise duty is, to my mind, not at all justifiable. If I may be permitted to say so I would say it is most objectionable on the part of the Central Government. I admit that factories were being raised very rapidly and I do not know how far it will be advisable to bring in the argument of over-production before allowing all the factories to work and come into competition with each other. In any field of production it is not the Government who should stop over-production but it is the competitive prices which always diverts capital from one field of production to another. Secondly, Sir, as far as I could gather, in Java the Dutch Government has a central distillery for preparing spirit as a by-product from molasses but in India no such steps have been taken to allow the sugar manufacturers from earning a revenue from the manufacture of such a by-product. If the sugar excise is a central revenue then it is the duty of the Central Government to take steps for the establishment of central distilleries where all the sugar manufacturers can dispose of their molasses, for the purposes of distillation. If such a step is taken it will ultimately bring Government greater revenue from this excise. At the same time the manufacture of such spirits will give a good income to the sugar manufacturers.

In coming to the question of the imported tobacco I wish to observe one thing. Government should watch the situation very carefully and, if necessary, steps should be taken to increase the duty on imported tobacco leaves further if it can bear it without decrease in revenue. I feel that imported tobacco will be able to bear an increased duty due to the fact that foreign factories are being established in India using imported tobacco.

(At this stage the Honourable the President vacated the Chair, which was taken by the Honourable Rai Bahadur Lala Ram Saran Das.)

[Mr. Jagadish Chandra Banerjee.]

As regards the excise on matches I have got the strongest objection possible in the levy of such an excise as no differentiation has been made between the foreign factories established in India who prepare matches from all articles imported and those indigenous factories using indigenous raw materials for the production of their matches. I think the duty on imported veneers and splints should also have been raised so that the unfair competition between those manufacturers using foreign veneers and splints and those using indigenous veneers and splints may be stopped. In the alternative I would ask the levy of two different scales of excise duty according to the matches manufactured from foreign materials and those manufactured from indigenous raw materials. As a result of this equal duty for all kinds of matches the importers and the middlemen will increase their prices on all classes of that article and the poor consumers who use the inferior quality of such article will also have to pay dearly. I can quote from practical experience today that the matches which used to be sold for half a pice a box has been raised to one pice per box as a result of the proposed duty.

In coming to the question of the expenditure side, Sir, I congratulate once more the Honourable the Finance Member for giving relief to Bengal, my own province, by the refund of half the export duty on jute. But, Sir, I take this opportunity of asking the Government to take steps to put a check on the Bengal Government who should not squander more money for pampering the Police Department which is already a privileged and the most-favoured department in that province. If we are asked to pay it is our bounden duty to see that the nation-building departments in Bengal in charge of Ministers are given sufficient money for opening out fields of employment by which unemployment may be removed, and the necessity for more police may ultimately be decreased. The tendency of all bureaucracy is to check expenditure when in deficits and as soon as they are made affluent they will always try to spend money on schemes which will give benefit not to the masses but to the bureaucrats themselves and their henchmen and the Bengal Government is not free from this general vice.

In coming to the question of retrenchment, I may say that the House is already aware of the circumstances under which the Government of India brought into existence a retrenchment committee. I would like to quote the following passage from the speech of the Honourable Sir George Schuster regarding this Committee delivered by him in the other House on the 6th March, 1931. It reads as follows:

"I now come to my proposal for a Retrenchment Committee. Now, I have been forced to draw some rather surprising conclusions from the way in which that proposal has been treated. It was a perfectly honest and fair proposal intended to meet what I expected would be the wishes of the House. But its reception leads me to the conclusion that if the Government want to avoid an embarrassing obligation, the best thing for them to do is to come to this Assembly and offer to undertake that very course. The Assembly then apparently will say, 'This is only a bait: we are suspicious of your motives: we will not touch it at any price.' That is what has happened in this case".

In the passage quoted the Finance Member complained bitterly about the suspicions which arose in the minds of the Members even before the Committee was appointed. I ask here, Sir, as to who is responsible for such suspicions? It is the treasury benches and no one else. The Committee was appointed and recommendations were made. I ask the Honourable the Finance Member whether all the recommendations made by

the Committee were accepted by Government and given effect to by them. After getting the report what did the Government do? It is an open secret that they accepted only those portions of the recommendations which affected the subordinates and low paid clerks. So far as the superior staff is concerned practically nothing has been done. Men superannuated in the gazetted ranks have been retained. Posts held by Europeans recommended for retrenchment have been found essential for the discharge of responsibilities of the bureaucrats. The future scales of pay of all services manned mostly by Indians and recruited by the Government of India have been reduced, not on the recommendations of the Committee but on their own initiative, whereas the reduction in the scales of pay of superior services have been deferred to the Greek Kalends. Many nation-building departments which used to be manned by Indians have been crippled and the department of my Honourable friend the Finance Member is increasing in bulk because he is the sanctioning authority for his own department. In this connection I would seriously suggest that for any sanction of posts of the Finance Department some independent authority must be appointed and I think the Auditor General being independent of the Government of India will be the most suitable authority for such purposes.

As regards the steps taken for economic research for ameliorating the distress of the agricultural population of India, as far as I know  
 1 P.M. the Government of India indented for the services of Sir Arthur Salter. He, like an honest man, placed certain recommendations before the Government of India. They did not take much action on such recommendations because probably they did not suit the desires of the bureaucracy. I understand another indent has been made from Great Britain to have two experts from there. As usual every opportunity is taken to bring experts from England so that a few more Englishmen may go back with a little more looted treasure from India. I know for certain that those experts will produce "a mole hill" after "the mountain has been in labour" as is usually the case with all such committees and commissions. The present Government is so much obsessed with their own power that they forget that such false promises will ultimately bring ruin and disaster for themselves and to this country as well. It was the guilt-edged promises of past generations of Britishers which were responsible for the establishment of this vast British Indian Empire and it is the false pledges and promises of the present generation of Britishers which will bring in sooner or later the dismemberment of the Empire unless the present Government takes steps to redeem their pledges. I say these things not with any spirit of bitterness but I say them to the Government as we, being the representatives of the masses, have better opportunities of hearing them directly and feeling their pulse.

So far as military expenditure is concerned, I find a note of warning given to the country to prepare itself for a big jump in the figures of army estimates in the next budget when it comes. The Finance Member has in his usual way complimented His Excellency the Commander-in-Chief who in his turn whenever opportunity arises will compliment the Honourable the Finance Member because the Central Cabinet is constituted on the basic principle of a mutual admiration society. This House cannot agree to take these warnings without protest. The pay of British military personnel was reduced in 1925. But why should that question be not now reopened and a further reduction made in their pay to meet extra expenses in the event of any rise in the rate of interest or in the event of a general



[Mr. Jagadish Chandra Banerjee.]

rise in the prices. The system of contract budget made in 1929 should not be enforced with any fixed amount but with a fixed percentage of the total annual revenue so that with such fixed percentage let the army swim in rose baths if they can. There appears to be no justification of the over head charges as is borne by the army in its cost of maintaining Army Headquarters in its present bulk. Year in and year out the people are asked to pay more by way of new taxation. This year we have been asked to pay Rs. 140 lakhs on sugar, Rs. 30 lakhs on tobacco and Rs. 210 lakhs on matches—in all about Rs. 4 crores. How long can this state of affairs continue? If the present bureaucracy whether in the provinces or in the centre cannot cut their coat according to the cloth they have, then they have no justification to demand more cloth. Bureaucracy thrives in waste-age because they play with money that is not their own. They can lay down maxims for good finance and economy when it suits them and they can conveniently ignore them when that very maxim does not suit them. Here, in this case of reduction and avoidance of debt provision, this is exactly what has happened. On the 28th February, 1931, the Honourable Sir George Schuster claimed from the house tops that diminution in the provision for this item would be fatal in view of the impending constitutional changes. With your permission, Sir, I quote what he actually told us on that occasion :

"Lastly, there is the automatic increase in the provision for Reduction and Avoidance of Debt, of Rs. 78 lakhs. This is a heavy item, but at this stage in India's constitutional development, when the outside world is watching closely the effect of the coming constitutional changes on India's financial stability, I am sure that all Honourable Members will agree that it would be fatal to make any diminution in this provision".

In subsequent years he also held fast to that very maxim but now he comes with his statement regarding this question as follows :

"In proposing a reduction in the Debt Avoidance provision we have looked on that as a margin of strength on which in the present exceptional circumstances it is legitimate to draw".

Sir, when first this maxim was introduced there was no question of taking it as a reserve to fall back upon in lean years. But being probably his last budget he twisted that formula in a way which gives him the advantage of showing a surplus budget and of satisfying the Provincial Governments as well. Before I conclude I would suggest the imposition of an export duty on gold if not for prohibiting export of that article but at least for raising a good deal of revenue out of that source. The recent increase in the dollar price of gold has further stimulated gold export from India as appears from the present budget speech. I read his own words :

"One side of that policy has been still further to increase the dollar price of gold. This has been followed by a similar increase in its sterling price, with the result that gold exports have again been stimulated from India".

Secondly, I would suggest the imposition of higher import duty and a corresponding excise duty on vegetable ghee. By these means Government may be able to reduce the income-tax on those persons having incomes up to Rs. 1,000 per annum and to reduce the price of the postcard which will go a long way to relieve the poor masses. The reduction in the cost of envelopes and telegrams do not for all practical purposes affect the masses at all. It is only a small percentage of the poor people, a practically negligible number, who go to the luxury of writing letters in envelopes and still less is the percentage for those amongst such classes who use telegrams

as a means of ordinary communication. I would therefore suggest the lowering of the postcard rate and leave the cost of envelopes and telegrams at their present price.

With these few observations, Sir, and thanking you for allowing me the valuable time of this Honourable House I resume my seat.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce): Sir, I desire to swell what, I am sure my Honourable friends opposite will later describe as the general chorus of praise with which the Honourable Finance Member has been greeted on the introduction of what, I am confident, we must all genuinely deplore to be his last budget. In another year of grim depression, and under circumstances which have not only continued to be as difficult and baffling as before, but have indeed in some respects outrivalled previous years in the way of financial gloom and discouragement, he has presented a budget which shows all his former courage and imagination, and I congratulate him upon it.

Sir, this budget is as financially sound and sternly uncompromising as its predecessors, and once again there is no gilding of the pill which the unfortunate taxpayer is being asked to swallow. We must be thankful for small mercies in these days, however, and we can at least derive some small measure of satisfaction from the decision that the 5 per cent. cut in the pay of the Services is to be retained for another year. I would refer here to the representations made to Government by the Associated Chambers of Commerce that the restoration of this cut should not be effected unless at the same time some substantial and general relief by the reduction or removal of the 25 per cent. income-tax surcharge is afforded, to be shared alike by the Services and the public. It now appears, as I have pointed out on a recent occasion, that we are to be saddled with the 25 per cent. surcharge for another year, and must just make up our minds to grin and bear it, hoping that the time is not far distant when some reduction of this crushing burden might be possible.

Coming as I do, Sir, from Bengal, and speaking on behalf of the interests in that province which I represent, I have to express our full approval of the proposed excise duties on factory-produced sugar, and, incidentally, to the scheme for enforcing a minimum price for cane to be paid by the factory to the grower. For some time past we have been persuaded that some such step as the former was necessary and desirable in the general interests, and we welcome this proposal, the effect of which will be to lower the present high protective duty to a level more in keeping with the basic duty recommended by the Tariff Board. We believe with the Honourable Finance Member that even after the imposition of the excise, the sugar manufacturer can pay a fair price for his cane, make a fair profit, and sell at a fair price. Again, the proposal to abolish the export duty on raw hides is one which we in Bengal have been pressing for, and one which has accordingly met with considerable satisfaction on the part of the interests concerned there. Apart from the fact that except in certain exceptional circumstances, export duties are a form of taxation to which I am opposed as being unsound in principle, there can be little doubt that in this particular case the continuance of the duty was likely to have led to the total extinction of an important trade in a very short time, and we welcome its proposed abolition accordingly.

And now, Sir, I should indeed be wanting in gratitude if I failed to voice the satisfaction of the interests which I represent at the proposal

[Mr. J. S. Henderson.]

to hand over at least half the jute export duty to the jute-producing provinces as an urgent measure of sorely wanted financial relief, so far at least as Bengal is concerned. Although, to be quite frank, this proposal represents nothing more than what might fairly be termed a somewhat tardy act of financial justice, we are nevertheless duly grateful for it. As the Honourable Finance Member has already pointed out, Bengal could not be expected of its own efforts to restore financial equilibrium, and no other province in India was in a comparable position. We are most grateful, also, for Government's proposals of financial assistance to Bihar and the other provinces which have suffered from the recent earthquake. It has been contended in some quarters that the proposed assistance is over generous, and in others that it is not generous enough, but all must surely be agreed, I think, that the need is pressing and very great, and I am sure the Members of this Honourable House will strongly deprecate the unfair criticism of the Government's help to Bihar to which I have referred.

In regard to the proposed readjustment of the tobacco duties, it would appear from the representations which have since been made by those concerned that further consideration of the revised rates is called for, and that, for example, the cost of imported materials used in the making and packing of the cigarettes in question has not been taken into account.

In the matter of the reduction and avoidance of debt, the Honourable the Finance Member has explained that it is proposed to make provision for Rs. 3 crores for the current year as well as for next year as against the figure of Rs. 6·89 crores in the current year which would be called for under the Convention which was settled in 1924. In this regard we were glad to learn from the Honourable Member that there was no country in the world that had either not cut its sinking fund provision or incurred budgetary deficits, and to have his subsequent assurance that India's credit in the world's markets will not be in any way affected by the cutting down of the Debt Redemption provision this year.

Finally, Sir, I should like to express the pleasure felt by every Member of this House at having Sir George Schuster with us here today. It is a pleasure which is only vouchsafed to us once a year, and we are sorry indeed to think that that pleasure must on this occasion be tempered with deep and sincere regret when we remember that this is the last time we shall be able to welcome Sir George to this Honourable House, at least in his present capacity of Finance Member. As a result of his five difficult years of stewardship, India's credit today is high, the Government can borrow money on cheap terms, heavy short term debts have become light long term liabilities, and the burden of interest greatly lightened. He has served this country well if ever a man did and I am sure I can say without fear of contradiction that he has earned the admiration and gratitude of this House, and that when he leaves India he will take with him the sincerest good wishes and affection of every Member of it.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable Rai Bahadur Lala Ram Saran Das in the Chair.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal: Nominated Non-Official): Sir, I have no desire to go over the same ground that has been covered by the speakers who have preceded me. As a matter of fact, I do not want to go into the details either of the budgetary position or of the budgetary proposals which have been thoroughly discussed. Two subjects on which I want to concentrate my remarks are, firstly, the generous contribution proposed to be made to Bengal, namely, half of the jute export duty,—and, by the way, I hold that the whole of the jute export duty was the due of my province,—and secondly, the most humane way in which the Government of India proposes to pay for repairing the damages caused by the earthquake in the unfortunate province of Bihar. I think there was some misreading and misunderstanding of the claim which Bengal puts forward for the jute export duty. First of all, Sir, we ought to remember that the jute industry is the monopoly of Bengal. By jute industry I mean to refer not only to the jute mills but also to the jute grower. The prosperity of the province and generally of the provincial finances depends in a great measure on the prosperity of their industry. If the industry is prosperous, provincial revenues improve. Although export duties, on principle, may be open to very serious objection, as I think that export duties generally always tend to fall on the home producers, yet in the case of a monopoly commodity like jute it may be justified because, in certain given circumstances, it can be passed on to the consumer. Sir, the treatment accorded to Bengal under the Meston Settlement was, as was well known, very much to their disadvantage, and if we compare the share of the revenue that was used for provincial purposes and the proportion taken by the Centre, Bengal's percentage was 30·3, whereas in Madras, for example, it was 69·5 and in Bombay it was 40·7. Bengal, I find from the list, was practically taking the least portion of their revenue than any other province in India. Other sources of revenue were taken as the central source of revenue. We were denied those. Therefore, Sir, this allocation of half the jute export duty is somewhat of a tardy financial justice to my province but certainly a matter of great political wisdom. The Third Round Table Conference recommended and recognized that as regards Bengal, the difficulties arising from the present distribution of resources were exceptional. They recognized that and suggested that they might be made up by according to the province some share in the tax on jute, and that is what is now being translated into action by the Government of India. Sir, there are very cogent grounds, I submit, on which Bengal claims the whole of the jute export duty. To begin with, the jute export duty was imposed in the year 1916, long before Federation was thought of, and as my Honourable friend Mr. Suhrawardy has pointed out as an exceptional after-war measure. Otherwise, this question of the jute export duty would not have troubled the Government of India now. If it was sought to be imposed now, it would have been regarded as a source of provincial revenue and the whole of the jute export duty would have been utilized and spent for Bengal. It is an accepted principle that the determining voice in regard to a duty which may directly affect the prosperity of the whole province and the provincial finance should lie with the Provincial Government; secondly, that jute is a monopoly of Bengal and small areas in Bihar and Assam, and the proceeds of the duty are therefore attributable

[Mr. Bijay Kumar Basu.]

entirely to a definite geographical area; thirdly, that since the duty is treated as a provincial source of revenue, it will be impossible to secure uniformity of provincial burdens as between the jute-producing provinces and other units of Federation.

(At this stage the Honourable the President resumed the Chair.)

When the conditions of the jute trade were prosperous, the jute export duty, as I said, could have been passed on to the consumer. It actually did not affect the growers of jute in the least. But when we are passing through very difficult times at the present moment, the whole of the duty falls on the producer. Another argument that has been used by some of the critics in Bengal—of course I am very glad to say not in this House but elsewhere—is that all the difficulties that are now being faced by the Government of Bengal have been due more or less to the existence of what is known as the permanent settlement. I do not think, Sir, that the question of the permanent settlement is really relevant to this issue because as you know, the permanent settlement was introduced in the 18th Century and not by the Provincial Government but by the Central Government of the time. So, about the distribution of the resources I do not think it is strictly relevant to the issue that we have now before us. But had there been no permanent settlement and no special taxation on the production of jute, the rent receivable by the zamindars for the jute lands would have been greatly enhanced and the Local Government would have enjoyed a corresponding increase in the land revenue if there had been no permanent settlement. Who can deny that? Then, for the last two or three years, we are passing through very critical and very troublous times. What do we find? Portions of the land revenue in all the other provinces have to be remitted to a large extent, but what has Bengal done? It has paid to the pie. No, they have not defaulted in their land revenue, whatever the stress and strain they might have passed through. But up to the present moment the benefit of jute, a crop peculiar to Bengal, has been enjoyed not by Bengal through enhancement of land revenue but by the Central Government through an export duty. After all is said and done, so far as the internal trade of India is concerned, it cannot be denied that Bengal is primarily a consumer's province and the protective duties on cotton textiles and wheat or iron and steel products, imposed entirely in the interests of producers elsewhere, have told hardly on the consumers of Bengal. That fact ought to have been taken notice of by the critics. Bengal has little to gain from a policy of protection, and duties imposed for the benefit of producers elsewhere in India, will damage not merely the consumers of Bengal throughout the countryside but also those engaged in the more important sea-borne trade of ports. These are some of the reasons which I think will be taken note of by the Government of India in revising their decision in after years. At the present moment I certainly congratulate myself on having got half a loaf instead of the full loaf that we want and to which Bengal has an undeniable right. There is another little point with regard to this which I think ought to be taken note of. In more than one place in his speech in the other House the Honourable the Finance Member has repeated and our friend the Honourable Mr. Banerjee has rubbed it in, that the

Government of India should be satisfied that the Bengal Government and Legislature were doing all that was possible to help themselves. In another place he says that:

"We should satisfy ourselves that the Government of Bengal is taking every possible measure on its own account to restore financial equilibrium".

No doubt when a grant is made it is certainly the privilege of the grantor to call upon the grantee to show cause why, if he misuses or mispends it, the grant should not be stopped. I view the thing absolutely from a different angle. I began by saying that we have a right to this duty and the Government of India have for so long been denying us the financial justice to which we are entitled. Mr. Banerjee in the course of his remarks said that the Government of India should keep a strict eye on the Government of Bengal that the money so given may not be wasted. I am surprised at the remark. My friend Mr. Banerjee is not in his place. I would have liked to know from him if he is prepared to charge the Government of Bengal with extravagance and waste. He mentioned the police budget and accused them of pampering the police. But I can retort by saying that it is his city of Dacca which has given rise to this sort of pampering of the police, along with two other small districts, Chittagong and Midnapore. He of all people to complain that the police are being pampered in Bengal is really astounding. I have heard of people not throwing stones when they are living in glass houses, but surely in this case he is himself living in a house built with more fragile material than glass and still he throws stones at others. Bengal through its 1922 Retrenchment Committee reduced her expenditure by about Rs. 35 lakhs and through its 1932 Retrenchment Committee still further reduced her expenditure by another Rs. 40 lakhs. There was a remark which was made in the other House by the Honourable the Leader of the European Group that hereafter when any man in India would strike a match, he will think that he is benefiting Bengal. I say, yes, it is quite true that when a man will strike a match in India he will think of Bengal, but what I would ask him to do is to think of Bengal sympathetically and not enviously, because, after all, Bengal is as much a province of India as the province from which the other gentleman comes. You cannot take Bengal apart from the rest of India.

Sir, I now come to the other point I wanted to make, as to the grant of the surplus of this year's budget to Bihar for repairing the ravages done by the earthquake. I think I will be excused by the Honourable the Finance Member and will not be considered impertinent if I say that his action in granting the whole of the surplus of this year's budget to Bihar has not only captured the imagination of the people, but it has shown to the people that the affairs of the Government of India are managed not by bureaucratic soulless automata but by people possessing human hearts and human sympathy for human miseries. Comments have indeed been made that the contribution which the Government of India has made to Bihar is not adequate, and people have gone so far as to forget themselves in their misery to say that it was a pitiable contribution. But I think that when the Government of India's finances are in the condition in which they are today, the gesture of giving the whole of the surplus to the stricken province of Bihar certainly calls for all the credit that one can possibly imagine.

[Mr. Bijay Kumar Basu.]

Sir, the speech of the Honourable Finance Member in the other House although it might in normal circumstances be considered long, was a fine literary production and almost classical in its matter and diction. It captures one's imagination and once one starts reading it one cannot but read it through to the end. Sir George Schuster is going home for his well-earned rest. It is practically his swan-song in the Indian Legislature. I only hope that when he makes his swan-like end he will fade in music and go home with a chorus of praises following him and the goodwill of a grateful nation.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, as the time at our disposal is very short I do not wish to prolong the discussion. First, I wish to thank the Honourable the Finance Member for the two gifts which he has given to Bihar. The first and more valuable is the Rs. 12½ lakhs recurring help in the shape of our share of the jute export duty. At the rate of interest which Government is at present paying, if that were capitalized, it would be Rs. 3 crores. This is a free gift. Secondly, Sir, I thank him for the help which the Government of India is rendering to the province of Bihar, and as it is a gift it is not quite proper for us to look it in the mouth. There is no doubt that Government had done a great deal for this afflicted province, but the need of the province is so great that even this generosity does not satisfy us. We are not unmindful of the position of the Government. We know in what difficult circumstances the Finance Member has given us this help. We appreciate it; therefore we do not complain against it. What we are stating is that our requirements are greater still and we hope that if it is not possible to do more in this year's budget, at least next year he or his successor will be more helpful to the province of Bihar. In this connection I should like to draw the attention of the House to the fact that responsible persons in my province like Rajendra Babu have expressed their dissatisfaction at the assistance. I am not going to quote his message, but I will lay it on the table.\* It shows how great is the dissatisfaction in my province. A former Finance Member of the Government of Bihar has also condemned this measure as insufficient in no uncertain terms. These things show, Sir, that our requirement is great and therefore it is not in any spirit of ingratitude that we say this. It is only in desperation that we say that it is insufficient and we hope that the Government will be more helpful.

Sir George Schuster had set for himself a standard about presentation of the budget which he carried out throughout. He always anticipates our criticism and replies to them in advance and this disarms us and makes it difficult to find fault with his budget. Sir, to add to this, we come after the Assembly and therefore all the points are practically exhausted; but there is this thing to be said that this is an occasion when this Council generally wants to speak and it is rather difficult to allow all the people to speak in the short space of one day. The Assembly is given two days, while this Council of State is given only one day. I would therefore request you to convey to the Governor General in Council

\*"Budget provision Bihar relief most disappointing exhibit inadequate appreciation gravity situation callous disregard elementary needs no provision land reclamation rebuilding towns of famine relief needed extensive scale Government rebuilding its own Local Bodies' houses, roads, etc., and well-to-do persons with loans poorer classes left to private charity and paltry Viceroy's fund—Rajendra Prasad."

that it will be better if we are allowed two days to discuss the budget. Last time we had to sit till 7 P.M. You gave us indulgence and you allowed us to have our say and we discussed till 7 P.M. on last budget day.

Sir, my Honourable friend Mr. Jagadish Chandra Banerjee drew attention to the fact that sometimes maxims are changed. I am not going to attack, but rather I am going to praise the fact that the Government has now changed its provision for reduction and avoidance of debt from what it was formerly to its present level. When I dared to suggest even after the Finance Member's warning in this Council that the provision for reduction and avoidance of debt should be reduced to Rs. 2½ crores, the Honourable the Finance Secretary took me to task and told me that it is a provision which bankrupt Governments only made and Government was far from that position; but adversity does made us change our ways and we find that the Government is now in full concurrence with me that this provision should be reduced. But there is one thing which is unsound in the sinking fund provision which the Finance Member has made. In the Finance Secretary's Memorandum we find that provision has been made for payment of the capitalized value of the English War Loan. That has come to me as a great surprise. We were under the impression that with the talk going on between America and England and with the question of the German reparation arrangements that it has been finally decided that India will not be charged with that; at least that has not been finally decided. The action of the Government in making no payment during the last year was a sufficient indication of the way in which the British Government was going to proceed. Last year too we made provision for Rs. 1.66 crores in two ways, Rs. 88 lakhs being provided under the interest head and Rs. 78 lakhs in the sinking fund head. The whole of that money remained with the Government of India. This year again the same unsound policy has been adopted. We have provided for payment of debt of Rs. 58 lakhs and Rs. 84 lakhs has been provided in the sinking fund for repayment of war loan. If for no other reason, the fact that the Government in England did not charge us for the last year was sufficient indication that it was not the intention of His Majesty's Government to fix upon our shoulders this burden. This means that the Honourable the Finance Member has in his usual prudent way kept a hidden reserve of Rs. 1,44 lakhs—

THE HONOURABLE SIR GEORGE SCHUSTER: I do not know where my Honourable friend gets his figure of Rs. 1,44 lakhs from. I do not want to interrupt him as his time is very short, but the provision last year was Rs. 88 lakhs, which has not been called upon, and the provision we are making this year is Rs. 58 lakhs.

THE HONOURABLE MR. HOSSAIN IMAM: In the Finance Secretary's Memorandum on the sinking fund, provision has been made for the repayment of debt in the sinking fund for Rs. 3 crores in which the sum of Rs. 84.59 is mentioned. I am taking that.

The basis for the sinking fund is the contractual obligation which has been fixed at Rs. 1,36 lakhs for the 5 per cent. loan and Rs. 26 lakhs for the railway annuity. That is the only obligation which we are obliged to make and this was an important point which I stressed last year too, that we should not have anything extra in this direction.



[Mr. Hossain Imam.]

Sir, as you have pointed out in the beginning that we are going to have separate Bills and we can discuss new measures of taxation, I am not going to discuss them here; but I should like to point out that when the Honourable the Finance Member painted a rosy picture of reduction in debts of Rs. 4,22 lakhs he did not put the whole truth. There is no doubt that there has been a substantial reduction in the interest payment where the internal debts are concerned, but our external debt position is not so good as that of our internal debts, and if we take into account that any repayment in internal debt has a repercussion on the incomes from the Income-tax Department, it will be seen that these reductions have been made at the cost of revenue from the Income-tax Department. Whereas expenditure on English interest is down by less than 5 per cent. the Indian expenditure is down by more than 10 per cent. In paragraph 14 the Honourable the Finance Member draws our attention to the fact that even with the increased loans we have got to make decreased payment. That is a good picture, but it is only one side. While on this side our expenditure in India has been reduced; on the other side our expenditure in England has gone up. I am following his precedent and quoting the actual figures of 1922-23 and 1932-33. In the former year, Sir, just ten years before we were spending Rs. 30 crores in England out of a total expenditure of Rs. 136 crores. Then our external expenditure was about 22 per cent. of the total income. But this year with all our economies, with everything done to meet this eventuality we find that actually our commitment outside on revenue account has increased to Rs. 36.39 crores, while our expenditure in India has fallen to Rs. 88.46 crores. There is a reduction of more than Rs. 17 crores in expenditure in India and there is an increase of Rs. 6 crores in expenditure outside India during the ten years that the Finance Member has taken. This shows, Sir, that the drain of Indian wealth is still on the increase. We have seen how on the Continent this drain has upset equilibrium everywhere. Repudiations of debts have been made and still this thing is continuing. It is therefore, Sir, incumbent that good finance means not only that expenditure inside India should be reduced, but it is still more incumbent upon us that our expenditure outside India should be stopped. And it is there, Sir, that all the Members should concentrate their attention and India as a whole should concentrate its attention—that is on expenditure in outside countries which acts as a sort of tribute.

The Honourable the Finance Member in paragraph 60 of his speech drew our attention to the deplorable condition of the finances of Japan. They have incurred enormous deficits rising to a thousand million yen. But did he pause to think how much of this money has been spent in giving bounties to the trade, how much of it in fighting in Manchukuo, and how much of it went to help the country itself? The Government has taken no care, we have always said, of our industries. You have replied that Government has done everything. We will see it in more detail, Sir, when the time comes to discuss the effects of the Ottawa Agreement.

In conclusion, it is very pleasing to me to find that even the European non-official Members are now associating with us and Mr. Glass's solicitude for the rice-growers and Mr. Henderson's approval of the retention of the cut was a welcome sign of change of tactics. When all non-official opinion is going in one direction, we all feel and we all realize that the interests of non-officials are the same without any difference of caste, creed or colour.

**THE HONOURABLE THE PRESIDENT:** I am anxious not to stifle the debate in any way and to give Honourable Members the opportunity of speaking and ventilating their views but you know today is Their Excellencies' Garden Party and most of the Members are anxious to attend. Last year I allowed the debate to continue till 7 o'clock but on this occasion some sort of exception must be made and I therefore request Honourable Members whom I will now call upon to speak as briefly as possible and limit their speeches to ten minutes, if possible. At three-forty I propose to call upon the Finance Member to reply and the debate after his speech will be closed.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, the budget as has been presented to us bears two aspects, one of which has nothing but commendation from us and the other is the most unsatisfactory or the dark side as I should say. So far as the commendable acts are concerned, the foremost among them is the generous contribution of Rs. 3½ crores that Government has proposed to give to Bihar. Most of the Members have expressed their gratitude on the point and have dealt with it fully, so I leave it there. The other aspect of the budget is about the proposal of new taxation on certain articles of necessity—sugar, matches and cigarettes. So far as sugar is concerned, I must say it is an article of daily consumption. I do not grudge the Government taxing profits of the factories but when they have come forward to tax the production of the factories, I must lodge a strong protest. Sir, when protection was given to this industry, Government did so with their eyes open. The Government deliberately subordinated revenue considerations when they decided to afford protection to this industry. But even after the lapse of two years they have come forward with the proposal of a heavy duty of Rs. 1-5-0 per cwt. This, I should say, will kill the industry as has been pointed out by Honourable Members here. What the Java people are now doing is this: they are selling their sugar at a loss. Their cost price according to the Tariff Board report came to Rs. 4 at our ports. But they are now selling at about 10 to 12 annas less than the cost price and their object is to kill the industry that has just risen here in India. From the figures that were quoted by the Honourable the Finance Member in his speech I find that this year Java is going to import 13,50,000 maunds of sugar and with the destruction of seven factories in Bihar and serious damage to two factories, I think Java will be importing much more than these figures which were based on the pre-earthquake position. Then, Sir, so far as the factories in the western side of the United Provinces are concerned, they are going to be closed very soon,—I mean the factories round about the Meerut district,—because a certain insect has destroyed the sugar-cane crops. Some have already been closed and others are going to be closed in a week's time. So there will be still less production by the Indian industries. Then, Sir, I admit that Government has lost crores of rupees in import duty but they have gained indirectly by it. For instance, so many factories have been started and they are getting income-tax and super-tax upon their profits. Then, Sir, so much machinery has been imported, on which they must have collected import duties. Then, my third point is that if so many factories have sprung up in such a short time, it has solved partially, if not wholly, the problem of unemployment by so many more persons being employed in the country. That is also one of the foremost duties of the Government. Then the last and

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

the most important feature is that they have relieved greatly the distress of the agriculturists and by relieving the lot of the agriculturist Government is able to get more revenue at the proper time. The sugar industry in the United Provinces and Bihar has become the principal industry and but for this industry I do not know what would have been the fate of the agriculturists of these provinces, and consequently, they have got more in revenue than they would have got without them. Considering all these points, it is not proper to say that the Government has lost so much on the import duty. Therefore, Sir, I oppose this duty and will oppose it when the Bill is brought forward in this House.

As far as taxation on matches is concerned, this will hit the poorest of the poor. Everybody uses matches, the price of which will be doubled, so this tax hits the poorest of the poor. (*An Honourable Member*: "It hits everybody!") It hits everybody, but I am speaking for the masses. Then, Sir, this tax—

THE HONOURABLE THE PRESIDENT: The Honourable Member will have an opportunity of speaking on those two Bills when they come up before the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, as far as the reduction in postal rates are concerned, the Government of India have taken action out of their own necessity. They have worked it out for many years and found that they were losing in the Postal Department, and now they have realized the mistake they have committed and are reducing the price of envelopes by three pies only. If they increase the weight from half a tola to one tola, I am sure it will enable Government to be much more a gainer. It was also proper that Government should have reduced the price of postcards to three pies but they have not done so. I hope the Honourable the Finance Member will consider that question very seriously. Sir, as the time at my disposal is over, I cannot deal with the other subjects with which I wanted to deal.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I cannot see my way to congratulate the Government over presenting this budget, which though on paper appears a surplus budget is, to my mind, really a deficit budget. When the purchasing power of the people has gone down admittedly and when there is economic depression of such great extent, the taxation proposals which the Honourable the Finance Member has introduced in his budget will not in any way alleviate the sufferings of the masses. Therefore, the Rs. 153 lakhs which he wants to get from these proposals will not in any way balance the budget and therefore I say that though this budget may be a sound one on paper, yet so far as the country is concerned, it is practically a deficit budget.

Much has been said, Sir, and I do not want to repeat the arguments, about the sugar tax and the match tax. But one point has struck me from the point of view of the cane grower. It has been suggested that this excise duty on sugar will help the cane grower to a very great extent. My Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra, who is intimately connected with sugar manufacture, has ably put forward the case of the manufacturer before the

House. I, as a cane grower, would be personally glad if the cane growers are benefited. But I take a broader view of the position. My Honourable friend Sir Kurma Venkata Reddi has said, and I fully agree with him, that this commodity is used by all people for consumption. It is not an article of luxury, but it is an article of necessity. From that point of view I submit that if this excise duty hard hits the manufacturer, the cane grower will not really get any money for his produce. I am myself a cane grower and if the factories do not purchase our cane, then ultimately we will not be able to get as much price as the Government expects that we should get and as we desire that we should get. So, I cannot agree to this proposal.

Then, as regards the match duty, it will hit the poorer classes as well as the other classes. I do not mind if it hits me, but I really feel for the poorer classes. In these days of depression I do not think it is a sound policy for Government to burden the taxpayer, because he is already overburdened with other taxes. The taxpayer has to pay the provincial tax; he has to pay the tax of the local bodies; he has to pay the tax of the Central Government, and now he has to pay also the additional taxes which the Central Government want to impose every year. In fact, I should call this not a normal but an emergency budget. If the Honourable the Finance Member had found his way to reduce the burden of over-taxation under which we are suffering, I would have been really glad and I would have said that he has really managed the finances of the country well. Scientifically, he might have managed the budget well. But go to the country and see the position of the agriculturist and the poorer classes. You will find that there is hardly anything left for them. They cannot even meet the cost of production and there is very little left for them to live upon. In my own province, which is mainly agricultural, it is very difficult for a farmer to get even two meals every day. They have not been able to pay land revenue; they have not been able to pay their debts and find the means to meet the ordinary necessities of life. If the Honourable the Finance Member had come to the rescue of my province I would have thanked him very much. Of course I know that my Government are managing their budget well. They have not produced a deficit budget. I congratulate the Bengal Members that they have got nearly Rs. 2 crores, but I think it is a bad precedent, because if Bengal claims that amount today, tomorrow the Central Provinces, the poorest province in India, will claim something. The Central Provinces Government have curtailed their expenditure to a very great extent both on the Reserved side and on the Transferred side. Most of the grants to local bodies for useful activities have been curtailed. Not only that. On the Reserved side, expenditure has been very much curtailed that in various places the posts of Sub-Judges have been abolished, and people have to go a long way for their litigation. Because we manage our budget very successfully, I am afraid the Government of India do not come to our rescue. Not only that. The Government of India have increased the freight on coal. The other day I made a remark about it, and now I find that from the 1st April the freight on coal is going to be raised. The surcharge is there and the freight is also going to be raised, so that other industries will also suffer.

Sir, as the time at my disposal is short I shall briefly deal with military expenditure. My point is that you have to curtail expenditure and though I may congratulate the Honourable the Finance Member

[Mr. Vinayak Vithal Kalikar.]

for having curtailed expenditure on the military side, still, according to a very eminent authority—I mean the present Prime Minister of England—the military expenditure of India should not be more than Rs. 20 crores. That is what he said in his book entitled “Government of India”. He says that the expenses of the British Army should be borne by the Imperial Exchequer and not by the Indian Exchequer. So the position is that new taxation proposals are there and the purchasing power of the masses has not in any way increased while the position of the agriculturist is very distressful. If, therefore, taking these things into consideration, my friend thinks that the budgetary position is sound, I am sorry I cannot agree with him.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, the Finance Member has given an excellent picture of India's financial administration, of his difficulties and his successes since the end of 1929. Sir Alan Parsons' Explanatory Memorandum gives most useful and illuminating information. It was fortunate for India that during the severest period of world-wide depression we had a financial expert of Sir George Schuster's experience as the custodian of our public finances. It is due to him that in spite of the terrible depression and slump India's credit today is high. The burden of interest has been reduced and heavy short-term debts have been converted into light long-term liabilities. The Government of India is to be congratulated on the generous provision for financing the measures to help the needy victims of the earthquake in Bihar. The re-introduction of the one-anna postage for letters and cheaper telegrams are satisfactory features of the budget. Sir, owing to the lower prices of agricultural produce rural India is in a very sad plight. It is not life but a struggle for existence with the villagers today. It appears as if the fate of agriculture were sealed. The Government should take special measures to find markets for Indian agricultural produce and to improve prices. During the Simla session I urged the necessity of reducing railway freight on agricultural produce. It is one of the methods by which Government could help the agriculturist. Nothing has been done to tackle the problem of rural indebtedness. The complex ratio question is causing a good deal of discontent and should be threshed out thoroughly to the satisfaction of agriculturists and traders of this country.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, the period during which the present Finance Member has had to manage the finances of the country has been one of acutest financial stringency. By the time he had assumed office the financial prospects in the country had become dark and discouraging. Hardly a year and a half had elapsed since his assumption of office, when the ship of India's finance was caught in the severe storm of depression which overtook the world. Besides this, there were internal difficulties owing to the disruptive movements in the country which went only to add to the embarrassment of the situation. If in the teeth of the storm, through those troubled waters, the ship of India's finance has been able to keep above water it has been due only to Sir George Schuster's skilful steering of it. Without resorting to any drastic measures, unlike other countries which have been taking great risks in their effort to rehabilitate their finances, India has been able not only to make both ends meet, but

also to budget for a surplus however small. India has succeeded in getting its burden of debt substantially reduced and the interest charges lowered. India has so far succeeded in weathering the storm, with its credit absolutely unimpaired. These are achievements, Sir, of which any Finance Member may well be proud. But even though the able Finance Member has in the teeth of tremendous difficulties succeeded in adhering to his principles of sound finance, it is distressing to find that he has not been able to see his way to giving any relief to the taxpayer or to the poor agriculturist. While the present burden of taxation in the existing economic conditions obtaining in the country is already unbearably oppressive it is very disappointing to find that there are proposals in the budget to levy fresh taxes. Sir, nothing has yet been done to improve the hard lot of the agriculturist. It is true that India's credit stands high. It is true that we have been able not only to balance our budget but even to produce some surplus. But it is no less true that unless the position of the agriculturist is improved it is not possible to stave off any longer the disaster which threatens the country. However, it is gratifying to find that the Government have realized the necessity of taking action in this direction and intend to convene a conference where proposals in this connection will be considered. In addition to the general conditions which have tended to bring down the prices of commodities all over India, there are some factors which have caused an enormous fall in the price of rice in southern India. Owing to large quantities of rice imported from Burma the paddy grower in southern India is not in a position to recover even the money which he has spent on cultivation. Unless steps are taken forthwith to strengthen his position and to try and find a market abroad for rice grown in southern India, and also unless measures are taken to stimulate prices locally, the paddy grower in Madras is sure to be ruined altogether. Sir, there are different ways in which the Government could come to the rescue of the paddy grower in Madras. First of all, Sir, the export duty on rice might be removed. Again, Sir, the Government of India might negotiate with Hyderabad and try to bring down the import duty which is now imposed by that State. According to the treaty only Re. 0-1-6 ought to be imposed on a maund of rice which is worth Rs. 1-14-0; but as it is, Sir, a duty of six annas is imposed on rice in the Hyderabad State. It is therefore necessary that negotiations should commence in order that the duty imposed by the Hyderabad State on rice imported from South India might be reduced to proper proportions, that is, Re. 0-1-6 a maund. Again, Sir, the duty imposed on rice exported from South India into Malaya also may be tried to be removed. If this is not possible, I would at least suggest that the Ottawa Agreement might be applied to Malaya and the preference of one penny per pound may be given to rice imported into the Malay States from South India. Again, Sir, the price of rice could be stimulated by restricting the acreage of rice cultivation; just as in the case of tea and wheat a restriction might be placed on the area in which rice could be cultivated. In addition to this, I would also suggest that the other railways, for instance, the Madras and Southern Mahratta Railway, might also be induced to give concessions in respect of rice freight as the South Indian Railway has already done.

Now, Sir, just one word more about another feature of the budget which concerns my province particularly. Sir, Madras is always forgotten when ever the Government of India has got to make any concessions. It is too

[Saiyed Mohamed Padshah Sahib Bahadur.]

far away from Delhi and Simla for the Government of India to take note of its needs and requirements. Sir, as you know, the same indifference has again been shown to the needs of Madras as had been shown previously. While a great impetus has been given to Karachi and Calcutta and other provinces to their trade in hides, no such concession has been shown in the case of the skin industry in Madras. Sir, the fact that the skin merchants have in spite of free export duty been able to maintain their business has gone to induce the authorities here to make an invidious distinction between the case of hides and that of skins. Sir, the authorities by making this distinction have conveniently forgotten the fact that by their action they have done something which is very likely to give a set back to the tanning industry which is one of the growing and most important industries in the Madras presidency.

Sir, I do not want to refer to any other features of the budget as enough has been said about the rest; but before I sit down I would like to express my gratitude on behalf of my province for the generous manner in which the Government of India has come to the rescue of stricken Bihar.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I will hand over my speech.

THE HONOURABLE THE PRESIDENT: I understand that some of the Honourable Members have written speeches and if they are willing and have no objection I will take them as read and see that they are published in the proceedings if they will kindly hand them over to the Secretary.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, the budget that has been presented to us is such that although for some of its features the Finance Member no doubt deserves congratulations, yet there are others which have rightly caused a certain amount of dissatisfaction. In other words, the budget has been received with mixed feelings of commendation and hostile criticism in the country. The announcement about the financial help which the Government of India have generously decided to render to the province of Bihar for repairing the damage caused by the earthquake should of course evoke high appreciation in the country. Then, the revision in postal and telegraphic rates, which has been forced on the Government by the general decline in the volume of business, will be welcomed by the public. Yet another commendable proposal is the introduction of legislation empowering the Provincial Governments to prescribe a minimum price for sugarcane to be paid by the sugar factories to cultivators. This proposal will go a long way to help the hard hit agriculturist. And, lastly, the growing reduction in military expenditure—although said to be only temporary, and however inadequate from the point of view of Indian public opinion—is deserving of all praise. But, Sir, apart from these happy features there is perhaps nothing else that can be placed on the credit side while there is much that can be placed on the debit side of the budget. The unhappiest feature of the budget is that no relief is proposed in the burden of the taxpayer who continues to groan under the crushing burden of taxation. The top heaviness of the administration continues in spite of retrenchments made here and there and the cost of administration continues

to be beyond the paying capacity of a poor country like India. Although I have acknowledged the reduction effected in the military expenditure, which has been from Rs. 55.10 crores in 1929-30 to Rs. 44.38 crores in the budget year, nevertheless the fact remains that there is yet large scope for economy under this head and there is no reason why according to the demand of Indian public opinion the military budget should not be brought down to the pre-war level of about Rs. 29½ crores, and why the reduction so far effected in it should be said to be only temporary and why this reduction at any rate should not be made permanent. Then, the surcharge on income-tax and the super-tax continue in operation which were emergency measures and the minimum taxable income for purposes of income-tax continues to be Rs. 1,000. This, Sir, is not a matter on which the Finance Department could be congratulated, for, the taxpayer has been all these years expecting relief in the burden of taxation as he has been hard hit by the unprecedented economic depression on the one hand and by the growth in the incidence of taxation on the other. Then, the losses in private income for purposes of assessment of income-tax are not carried forward in India while, I understand, they are carried forward up to a limit of three years in England for purposes of assessment of income-tax. It would be only fair if the same practice is introduced here and I hope that the Government will please consider this matter. Again, no steps have been taken to raise commodity prices, unlike certain other countries the latest instance of which is furnished by the United States of America which has devalued its dollar. India is being bled white on account of the drain on her gold reserves but no measures are taken to check the flight of gold from the country. If a duty had been imposed on the export of the yellow metal it would have enabled the Finance Member to balance his budget perhaps much more easily than the proposed excise duty on sugar and matches. I would therefore strongly urge the imposition of an export duty on gold.

Now I come to the actual budget proposals. I have already said at the outset that the revision of postal and telegraphic rates is a welcome one. But, Sir, the initial weight of half a tola proposed to be fixed for inland letters as entitling them to be transmitted on payment of a postal tariff of one anna would have been better appreciated by the general public if the initial weight for one anna letters would have been fixed at one tola, because I fear that only thin paper and of a limited size would have to be used for letters in order to keep their weight below half a tola.

As regards the proposal of levying an excise duty on sugar I am afraid the arguments advanced by the Finance Member in support of it are unconvincing. Sir George Schuster giving reasons in support of his proposal has observed in his budget speech in the other House that

"In many cases large profits are being made by sugar manufacturing companies, and the attraction of these profits is so great and factories are being set up so rapidly, that there is a real danger of over-production on a scale which may lead to very serious reactions both on the manufacturing industry and on the cane-growers who rely on it".

But my idea is that the proposed duty will affect the sugar manufacturing companies only to a certain extent and will not benefit the cane-growers to an appreciable extent. On the other hand, it is the poor consumer who will ultimately have to share the burden for the price



[Rai Bahadur Lala Jagdish Prasad.]

of sugar is likely to be increased as a result of this duty. If the interests of the agriculturist are to be protected then the proposed legislation enabling the fixation of a minimum price for sugar-cane is the proper remedy for it. Then, Sir, it does not seem quite fair that when once protection was given to the sugar industry in India for a certain number of years against foreign competition and when Indian capitalists have on the basis of that protection sunk their capital in the industry an excise duty should all of a sudden be imposed so soon after the imposition of a protective duty. It will surely be in the nature of a blow to an industry which is yet in its infancy. If the idea is to restrict the profits of the sugar factory owners then perhaps the surcharge on the import duty of sugar should be removed instead of levying an excise duty on it. Besides this, excise duty on an article of food is objectionable in itself.

Apart from this, the question arises that the sugar manufacturers having in the existing state of affairs entered into forward contracts whether the excise duty proposed will be payable by the buyer or the seller. I hope the Honourable the Finance Member will enlighten the House on this point.

Another objectionable feature of the budget is the proposed imposition of an excise duty on matches which apparently is being done only to enable the Government to render financial assistance to Bengal. Sir, I do not grudge relief to Bengal if she really needs it, but I hope that the Government of India will keep a watch that this does not lead the Bengal Government and Legislature to slacken their efforts in exploiting their own resources. Otherwise the giving of the proposed gratuity and taxing the match industry on that account will be quite indefensible. As regards the enhanced duty on imported raw tobacco and the new method adopted of taxing foreign cigarettes imported into the country I am of opinion that the duty should be levied only to an extent that the indigenous cigarette industry, which is a growing industry, may not be adversely affected thereby.

If the Finance Member be willing to forego any of the proposed excise duties he can still balance his budget by levying an export duty on gold as already suggested by me.

Sir, I want to make two more points before I conclude. With the stay of the present financial depression in our midst for the last several years it has, I think, become very essential that the pay of future entrants to all-India services, or Imperial services as they are called, should be revised for India can no longer afford to pay her services such high emoluments as at present. It might have come to the notice of the Government of India that in the last month the United Provinces Legislative Council adopted a Resolution recommending to the Provincial Government not to fix reduced scales of pay for the new entrants to any of the provincial services unless concurrently with a similar reduction made in the emoluments of new recruits to the all-India services. From a report of the speech made by Mr. Blount, the Finance Member of the United Provinces Government in connection with the debate on that Resolution it appears that the question of reduction of pay of future entrants to the imperial services is under the consideration of the higher authorities. But it is not known how far the matter has proceeded. In order that the much desired relief may be afforded to the taxpayer it is

essential that speedy action be taken in this matter, for, at least, in the case of one province it can be said that the Provincial Legislature is unwilling to help the Local Government financially by effecting a reduction in the emoluments of new recruits to the provincial services unless a similar reduction is concurrently made in the scales of pay of the imperial services. And it may be that other Provincial Legislatures may hold the same view. So both in the interest of the general taxpayer and in that of the Central and Provincial Governments it is desirable that the pay of future entrants to the imperial services should be revised as early as possible.

The other point is, that the United Provinces Legislative Council has recently passed a piece of legislation known as "the United Provinces Agriculturists' Relief Bill" which is awaiting the assent of the Governor of the United Provinces. This Bill is likely to affect the revenues of the Government of India derived from income-tax and hence I propose to refer to it in this debate. One of the provisions of this Bill is that accounts between a creditor and a debtor in respect of loans taken between the years commencing from the 1st January, 1917 and ending with 1st January, 1930 can be re-opened and interest reduced in certain cases, and that any amount already received by the creditor on account of interest in excess of that due under the provisions of the Bill shall be credited towards the principal. Now, it is obvious that from 1917 to 1930 numerous payments of interest must have been made under the terms of bonds; these must have been included in the income-tax statements and assessed, and income-tax must have been paid on them. Now, under the Bill, the lowering of the rate of interest will necessarily result in reducing the amount of interest income, and as the income-tax paid on the bases of old statements must be in excess of that legally due on the income as now calculated, the income-tax paid on the difference between the interest payable under the deed and that payable under the new Act should have to be refunded to the assessee. As the matter is likely to affect the revenues of the Central Government, I venture to bring it to the notice of the Government of India on this occasion of the general discussion on the budget.

In conclusion, Sir, I may say that one day which is allowed to this House for general discussion on the budget is very inadequate and a number of Honourable Members today are going without having their say on the budget for want of time. I therefore, request the Government to give two days to this House for the general discussion of the budget in future as in the case of the Lower House.

**THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER** (Madras: Non-Muhammadan): Sir, the budget presented to this Honourable House is not an unmixed blessing. There are many of us who would feel happy that the state of finances of the country is sound and that the credit of the country is high. But the question arises whether the country is not being made to pay too heavy a price for it. So I will call it a time serving budget.

My Honourable friend Sir George Schuster speaking in another place thought that the only alternative to raid on the sinking fund was additional taxation. He could think of no other alternative. That is unfortunately the official mentality today. There is an alternative and the only alternative which will appeal to this heavy tax-ridden country, namely, further retrenchment. This country cannot bear the incidence of taxation at the present scale.

[Mr. V. C. Vellingiri Gounder.]

There are many points which I would like to touch on this occasion but as so many other Honourable Members have either spoken or will speak I will confine myself to a few of them. First, let me bring to the notice of Government the import of foreign rice which has up to now come to more than 50,000 tons into Madras is causing havoc to the vast rice-growing area of the province. Something should be done at once to prevent this.

I would suggest that the postal rates be revised and that the two pice postcard be restored. Sir, when originally the postcard price was doubled we were told it was a temporary measure. Now not only has that been standardized, but the Finance Member wishes to make a three pice postcard a permanent feature of the taxation system of this country. I am amazed, Sir, that in a country where you can get a first class newspaper for half an anna per issue, you have to spend three pice on carrying a small message through the post. There must be found some solution to restore the two pice postcard. And if it is the case that people are resorting to the book post then I would let them do so rather than raise the price of the book post.

There is another point, Sir, which I would like to urge. There is no meaning in half a tola letter for one anna. It would either involve very heavy burdens in the form of extra staff to weigh every letter to see whether it will exceed the prescribed limit and extra staff to collect bearing charges or the postal authorities will not be strict and the one anna letter will replace the five pice letter. I would like the Finance Member to consider whether it would not be fair to him and to the country to make the one anna letter one tola in weight.

Much may be said about the plan for taxation, but I would confine myself to recording our protest against the proposed abolition of the excise duty on hides. If industries with a smaller stake were allowed recently under the Tariff Bill to grow under a protective wall, why should the silk and tanning industry of Madras be thrown overboard. The duty on matches is unfortunate as it has taken away a source of income-tax on which all the provinces were counting for a permanent equitable settlement of their financial relationship with the centre. The duty on sugar is far too heavy, when considered in combination with the decision to fix the minimum price for sugar-cane and license marketing associations and individuals for the purpose. The marvellous response to the policy of sugar protection in the form of capital investment will receive a set-back at such an early stage and any financial failures in this industry would give such a shock to people that confidence in joint stock enterprises will disappear for long.

Here I would request a portion of this tax to be set apart to sugar research such as small scale sugar manufactured as a cottage industry. The rupee higher ratio question, in spite of the unanimous protests all over the country, Government remains quite unconcerned.

I am sure all my Honourable colleagues would have preferred to know what the views of the Government of India are on the constant outflow of gold from this country—which outflow is a better indication of the distress in the country than the reassuring estimates of the economic life of our people given by the Finance Member. How long will this outflow of gold continue? Now, at least, when a balance of trade has been restored a new policy should be chalked out in the best interests of India.

THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU (Madras: Non-Muhammadian): Sir, the Honourable the Finance Member will be leaving us shortly after five years of strenuous labour in this country and I should have been very glad to wish him a kindly farewell. I regret to say, however, that I am not able to congratulate him on the present budget. Sir, I am not an educated man. I do not know English well. At any rate I can not speak fluently. I was born an agriculturist and that is my main profession although I have some sailing ships which we have owned for the last 73 years. I take more interest in agriculture than in trade.

Viewing then, this budget from an agriculturist's point of view I regret to find nothing in this budget which is helpful to the agriculturists. My province is mainly agricultural and 80 per cent. of the people depend on land. At one time land was considered to be very valuable. We invested all our money in land. Today land has gone down very much in value. Even then there is nobody to purchase the land. Prices of our produce have fallen and our people have become poor. During the 50 years of my life's experience I have never known such hard times as the present. No doubt there were times when prices were as low as at present, but the people never suffered. The reason seems to be that taxes have grown up, domestic expenditure also has gone up by twice the amount of my early days. Today people are starving, unable to pay their taxes and unable to maintain their families. Debt has increased and nobody is prepared to purchase their lands especially for cash. The time has arrived when they may give up their lands to their creditors and the creditors must take them at double or treble the present price of the lands, because the debt is more than the cost of the land.

There is a saying in Sanskrit "Durbalasya Rajatalam" which means the strength of the weak and the poor lies in their sovereign. The Government of India are our rulers. We look upon them as our protectors. There is one saying called "Navishnu Prudvypathy" which means no one who has not got a spirit of God in him will be a ruler. You are our rulers. So you must have the spirit of God in you. If God does not protect the poor who will protect them? But I regret to say that there is nothing in this budget to save ryots from hunger and starvation.

On the other hand I find fresh imposition of taxes. Take for instance, the excise duty on sugar. Government have protected this industry, but agriculturists get no benefit out of it. Still we are hoping that in the next few years the price of sugar-cane may rise and the agriculturists will get more money for it. Now, if we impose an excise duty on sugar, it means there will be less production of sugar. Factories will take less cane from us and we will get less money. Therefore this tax is not good.

Next there is a tax imposed upon matches made in our country. How are you protecting the industry? On the other hand matches will become dear. All people want matches and poor people also want them. How can poor people pay more? Is it not a hardship on such poor people? Why can not the tax be removed?

Then there is the income-tax. It was originally put in as a temporary measure. Now it has become permanent. Moreover, when once a man is taxed income-tax it will never be reduced or removed. It goes on increasing. In 1931, when the Finance Bill was introduced, a surcharge and an enhanced income-tax was added to the ordinary income-tax. At the same time a cut in the salaries was also made. But when the cut is

[Mr. Y. Ranganayakalu Naidu.]

restored the income-tax is not reduced, and the surcharge still remains. Why? Some relief must be given to the taxpayers in this budget. It did not appear necessary to the Government of India to reduce the income-tax when they thought of restoring their salaries.

Taxpayers and the agriculturists today are like children without a mother, and no help comes from anywhere. If these things go on like this human beings will lose all their flesh and blood and bones only will remain. Government authorities would appear to be looking after their own affairs. Only persons now well off are Government officials and salaried people. All others are starving without any help. Are Government aware that there have been more insolvencies during the last three or four years, four or five times more than the previous years? The sufferings of the people are great but the Government do not feel the pain. One doctor once said thus:

"I performed an operation on many people for boils and I never felt any pain. When I opened my own small boil I felt great pain".

Government are in the position of that doctor. They will feel the pain only when they suffer. Finally my request is that Government must try to save by cutting their coat according to their cloth.

I have only one more important subject to refer to and that is rice. My province is essentially a rice-producing province. We have the great Deltas of the Godavery, the Kristna, the Cauvery and the Penna. Besides these four rivers there are several small rivers and many tanks. We have the Resicula and Mopoor projects. We produce immense quantities of rice. We export a good deal of it. The Hyderabad State used to purchase large quantities from us. Today they have put a tax on it, with the result that very little rice is now going from the Madras presidency to Hyderabad State. Further, the duty of two and a quarter annas per maund on exported rice is killing our trade with Ceylon and other countries. These taxes must be removed. I would therefore press on the immediate attention of the Government to come to our rescue by completely stopping all imports of foreign rice without further delay or at least levy an adequate duty which will save us from unreasonable and unhealthy competition. I hope Government will tell us definitely what they propose to do in this matter so that we may know where we stand.

With these observations I regret to say that I am unable to support the budget.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal: Non-Muhammadian): Sir, despite a surplus the Honourable Sir George Schuster's budget cannot very well be termed a "balanced budget". In my mind it is nothing more than an emergency budget, particularly when all those taxations which he introduced in 1981, purely as emergency measures, still continue, and specially when in achieving a so-called surplus he proposes to resort to a lot of excise duty.

One proposed duty in particular, I mean, the duty of Rs. 1-5-0 per cent. on all mill-made Indian sugar, I cannot but whole-heartedly condemn. It is a well-known canon that all indirect taxes are bad, more so, when they are on the country's production, specially when that duty falls on

an industry which is, in all conscience, yet in a struggling state. But the Government have evidently based their conclusions only on the rapid growth of the industry, decreasing imports of sugar, the heavy fall of the income from the import duty on sugar, and above all, revenue considerations. But it will not be gainsaid for a moment that there has been no investigation beforehand, either by any expert committee or by the Tariff Board, into the present conditions of the industry. As the protection was originally intended for a period of 15 years, the proposal involves a breach of faith to those who have invested their capital in the industry in the belief that it had been assured shelter for that period. To my mind, Sir, the removal of the surcharge would have meant a less evil than the imposition of the obnoxious local tax on production. But the Government think that the excise duty is an alternative to the removal of the surcharge of Rs. 1-13-0, it is a sort of countervailing duty. They seem to think that the price of the Indian product is always governed by the price of the imported article. But it is not necessarily so. Once the import of sugar from abroad has considerably diminished and the flow of the supplies from ports to up-country has ceased or become irregular, the price of the up-country produced sugar is not necessarily governed by the conditions prevailing in the maritime provinces, not so much even by the cost of production of the commodity here, but very largely by the conditions of demand here, by inter-factory competition, by the presence or absence of large stocks of sugar in the factories, and by the ability or inability of those factories to hold them. The value of a season's produce is roughly equal to the capital investment in the industry. Applying these tests, how many factories are there in northern India, which are in a position to double their capital with a view to enable them to hold on to their stocks in order to prevent a sudden glut in the market in the season and obtain fair prices for their goods at a later period? Again, Sir, it is really an irony of fate that when the Government should have paid their full attention to the improvements in the internal organizations of the industry, they have chosen to scotch it by the levy of this duty. Protection with one hand, and excise duty with the other is an indefensible attitude. But I must congratulate my Honourable friend, the Finance Member, on his announcement regarding the forthcoming legislation with a view to fix the price of sugar-cane; but I must say that unless co-operative marketing is developed side by side, it will be impossible to regulate and enforce by legislation the most irresistible forces of demand and supply in the case of sugar-cane and for that matter of any other commodity.

Sir, as a representative from Bengal, I owe the Honourable the Finance Member a deep debt of gratitude for the timely financial assistance which he proposes to give to my province. The fair province of Bengal, which has ever been the hunting-ground for the peoples of Bombay, Madras, Punjab and other sister provinces, has been financially crippled ever since the inauguration of the Reforms through the inequitable arrangement imposed upon us by the Meston Award. So any financial aid or windfall which we may have has even been welcome to us. But our financial difficulties will never be surmounted unless and until both the Government here and the British Parliament have duly recognized the unjust position in which we have been placed by that Award.

THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR  
(Bengal: Nominated Non-Official): Sir,

"The Moving Finger writes; and having writ moves on;"

[Maharaja Jagadish Nath Ray of Dinajpur.]

These significant lines of the poet were the first to be brought to my mind by the Honourable the Finance Member's budget speech as I read it the other day, and I felt that it was his taxation proposals and such other things that worked in my mind first. But, when paragraph 33 was reached, my heart really leapt up with joy and a feeling of immense thankfulness filled my mind. I may frankly say that we Bengalis had been this time intently looking forward to what might be done towards the "valid claim" of Bengal in respect of the revenue from the export duty on jute in reply to the pathetic appeal from the Government of Bengal. The White Paper recognized it; now the Government of India confirms it. The strong plea for the redress of the financial injustice of the Meston Settlement made by the Honourable Mr. Woodhead in the Bengal Council in presenting the budget estimates for 1934-35 could not but move us all to some extent at least; but I am afraid that an anticipation of the music that is already being sounded was probably at the root of this concession of only "half a loaf". Nevertheless, I do not really understand what led the Honourable Sir George Schuster, wise as he is, to put forward a plan of imposing an excise duty on matches as a condition precedent to the handing over of the jute export duty to the jute-growing provinces. He must have known that even an attempt at doing such justice to a province might light up the embers of provincial jealousies. Could he not realise that to make it contingent upon the strengthening of resources by some kind of taxation was to set them into a conflagration? Shrewd people smell a rat again in such a move. I know, Sir, that all the anticipated deficit of the Bengal budget amounting to about 25 per cent. of her present income cannot be entirely due to the flagrant mistake of 1921. Her woes are partly due to the vicious circle already established there—I mean the huge expenditure on Law and Order necessitated by political disturbance and terroristic crime flourishing upon dire distress and middle class unemployment among other things. But there too the ruling policy is dictated from somewhere else! There is no reason, however, why a province which has to pay for all the administrative expenses in connection with the production of the articles to be exported should not claim a portion of the export duties. Sir, we do not want any special treatment for Bengal. Each province should have the right to claim for herself at least half of the revenues collected in the province. Unfortunately under the existing arrangements while some provinces are given much more than half of their revenues from different sources, Bengal alone does not get even one-third. I need not specify any name; but, when we find that a province, which with a population of about 21 millions has an income of over Rs. 15 crores, is the first to grudge the doing of bare justice to the poorest of her sister provinces, with 50 millions of people and revenue amounting only to something like Rs. 11 crores, all ideas of a Federation vanish into thin air.

Sir, the time is short, and I cannot monopolize it to go into all the questions relevant to the Central budget here and now. There is primarily the question of public debt, the question of home charges, the question of military expenditure, the question of public health, and the all-important question of agriculture and industry,—every one of which is bound to loom large before our minds' eye on a study of the data of Indian economic conditions and finance. The funded and the unfunded, the productive and the unproductive,—they are four kinds of our debt that has now grown into a colossal figure. The external obligations of India.

may also be divided into four or five classes including loans, home charges and obligations to foreign commercial investors. Not to speak of the heavy burden of these obligations upon the general finances and upon the taxpayer, it is a truism that they

"constitute an important factor in determining the balance and direction of our trade. The rate of exchange and through it the level of prices are often swayed by considerations attending these foreign obligations".

These are not my words, Sir. They are the words of an expert who has recently earned the encomiums of a Provincial Governor. The Honourable the Finance Member has referred to the advantages the Government have derived by substantial reduction of interest rates, unprecedented exports of private gold and the capitation windfall. But in spite of all these, the hard-pressed agriculturist will have very little to thank him for. I cannot, however, forget about the promised conference in April and the requisitioning of an expert to study the export markets. I need not take more time to dilate on any other point today. But before I sit down I make a fervent appeal to the Government to devise some better means for the protection and improvement of the foundation of all schemes of public welfare, that is, public health. And in this connection I should like to make a special reference to the opinion of Lieutenant-Colonel Megaw, expressed in an issue of the *Indian Medical Gazette* to the effect:

"More than five millions of people suffer the death penalty every year from preventable diseases, many days of work are lost yearly by each worker from the same cause and the efficiency of each worker is diminished by about 20 to 30 per cent. from the combined effect of disease and malnutrition".

THE HONOURABLE SARDAR BUTA SINGH (Punjab: Sikh): Sir, I cannot begin without congratulating the Honourable the Finance Member for his eloquent and comprehensive speech giving detailed accounts of his five years' charge of the finances of India. Sir George Schuster came to the head of affairs when depression had invaded the world and trade was impeded by tariff and currency management all over the world. In a way he has stood out for sound money, though I must confess at times he has been persuaded to sacrifice his principle at the altar of a policy of exchange. What a Continent like India needs is stable internal currency, and we may yet see India getting it. Without a fixed measure of values there is no possibility of raising Indian commodity prices. As I am on the point, I wish to emphasize the necessity of relieving the vast population of India from its unbearable burden of debt. The people have no incentive to produce more, since they know that for generations they will get no benefit from it, and I hope the Conference which the Honourable Finance Member mentions will deal with the subject with courage, comprehension and determination to bring the money burden of the people into some relation with the present commodity prices.

I cannot help feeling that in imposing an excise duty on sugar, the action of the Finance Member has been premature. The industry is not even a year old. It is expected that it will meet the home demand of 1935. The Finance Member has already come with the proposals to cripple it in the bud. He has put a heavy duty, which would not only react on the development of the industry but react adversely so far as the cane-growers are concerned. He estimates Rs. 1,47,00,000 of revenue from excise on sugar, i.e., he expects the production of sugar to be 1,47,00,000 maunds.



[Sardar Buta Singh.]

There are about 147 sugar factories in the country, which means that the average yield of a sugar factory will be 1,00,000 maunds of sugar. In the year that has just come to a close five annas a maund has been the average price paid for sugar-cane. To this may be added three annas a maund for working charges, i.e., the average yield per hundred maunds of cane is eight maunds sugar. Therefore to produce eight maunds it has cost the factory Rs. 50 at eight annas a maund. Eight maunds of sugar at Rs. 7-8-0 a maund the average price gives an earning of Rs. 60. Deduct Rs. 50. It gives Rs. 10 for eight maunds, i.e., the factory has earned Rs. 1-4-0 per maund profit. If Rs. 1 a maund is given as excise duty it will leave only four annas a maund profit, and on a production of 1,00,000 maunds of sugar Rs. 25,000 or a little over two per cent. on an investment of about Rs. 12 lakhs, which does not seem fair. In any case it is hoped that the duty will not be imposed for at least two years more on those factories which have started work only this season as it is not just and equitable to kill them in their infancy.

The Honourable the Finance Member may yet see his way to alter his decision and propose a progressive imposition of duty, thus allowing the industry to grow. At the same time, I wish to emphasize that duty on sugar is a provincial source of revenue. It is an income drawn from agriculture and as such must be wholly distributed to the provinces from where it is gathered to be used to help the agriculturists in these difficult days. The Finance Member has a surplus, and if he is as sympathetic for agriculturists, as he always professes, I am sure he will have no objection in collecting the excise and giving it over to the cane-growers of the provinces in general.

We have heard a good deal of sympathy in favour of the agriculturists, but so far the Government of India has taken no action in this direction. If they are really anxious to help the development of the country, the first thing they must do is to constitute a Ministry of Development. The Minister in charge of development need not have a vote in the Executive Council, except so far as the development is concerned. Therefore there need be no disturbance of the *status quo*. At the same time, the Government of India will then have a department and organization concerned mainly with the co-ordination of the provincial efforts and increasing resources of the people.

THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, all of us who have read the able speech of the Honourable the Finance Member and followed his lucid and masterly analysis of the financial situation of the country during the tenure of his office which coincided with the worst period of economic depression which this country has known, will admire the courage, patience and statesmanship with which this abnormal situation has been met by the Honourable the Finance Member and the Government of India. The result of this far-sighted and wise policy is apparent to us now when the Finance Member has succeeded in presenting us with a surplus budget. He deserves the congratulation and gratitude of all who have the welfare of the country at heart on his brilliant achievement. Above all, we are thankful to him for his efforts to establish the finances of the country on a sound basis,

and thus pave the way for the successful working of those constitutional reforms which we are expecting eagerly and which we hope, will not be long delayed.

One satisfactory feature of the present budget is the reduction of the cost of defence. We are grateful to His Excellency the Commander-in-Chief for affording this relief to the country and we hope that His Excellency will find it possible to keep military expenditure at the present level, if it is not possible to reduce it, further.

The most gratifying proposal of the Honourable the Finance Member is to afford some relief to poor Bengal in the shape of half the jute export duty. The successive deficit budgets of Bengal indicate its pitiable plight under a financial settlement which is most unfair to that province. The activities of the Government of Bengal have been crippled seriously, because in spite of drastic retrenchments and rigorous economy, it has not been able to find sufficient money, even for its nation-building departments. On behalf of the people of Bengal, I thank the Honourable the Finance Member and the Government of India for realizing our plight and distress and for doing us some measure of justice. The people of Bengal are encouraged by the promise of the Government that the present measure is not to:

"be regarded as a full and final settlement of the Bengal Government's financial position".

We hope that before long full justice will be done to Bengal and its claim to the whole of the jute export duty conceded, so that Bengal may be in the happy position in which we are very glad to find our sister province of the Punjab in the prosperity of which we are deeply interested.

I do not wish to say anything about the other proposals of the Honourable the Finance Member. Imposition of new taxes is always an unpleasant thing, but if it has to be done, we should accept the necessity with good grace.

I again congratulate the Honourable the Finance Member on the success of his efforts to stabilize the finances of India.

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member): Sir, as I have sat through general discussions on the budgets in the past years, however much I myself might have thought my budget a good one, I have been impelled to the reflection that there is no rose without a thorn. Today my mind has been filled with inversion of the same phrase, that there are no thorns without roses, for I must confess that I have received some very beautiful and welcome bouquets among all the thorns of criticism which have been apparent today; and I should like at the outset to express my great appreciation to all those speakers who have said kind and flattering things about my own record as Finance Member. When one comes to the end of one's time one is apt to view matters more impartially, and speaking not as a party man defending the policy of Government, I should like to say that I feel that perhaps the great part of those tributes is undeserved and that the only thing one can claim is that amidst considerable difficulties one has tried to maintain a high standard of public finance and to handle that part of the administration of India in the best interests of India taking a long view of what those interests are. Now, Sir, as a result of today's discussion I find myself left with rather less than usual to reply to. There have been criticisms, but even among those who have criticised,

[Sir George Schuster.]

their speeches have to some extent been mingled with expressions of praise, while those who have had nothing but criticism have elicited very able answers from other Members of this Honourable House; and therefore I have a feeling that practically everything that has been said in the course of the debate today has been cancelled out. There are, however, certain main issues on which I must say a few words. We have had of course the usual discussion of that issue as to whether a balance should be provided by measures of retrenchment or taxation. My Honourable friend Rai Bahadur Lala Ram Saran Das, who opened the discussion, advanced a very extreme theory for retrenchment. In fact he said that the Finance Department should entirely eschew its habit of taxation and that whenever it had a difficulty it should meet that difficulty by retrenchment. Well, I would remind my Honourable friend that if we had followed that policy since the year 1928 when I first took office we should by this time have had to reduce our total expenditure, net expenditure, to something like Rs. 35 crores; that would have had to cover expenditure on the army, civil administration, and everything else. I am sure that my Honourable friend will admit that such an extreme is an impossible counsel of perfection. And the point that I want to put to the House is this. It would, of course, have been possible to pursue measures of retrenchment still further, but in considering this matter particularly in times like the present one has to take into account not merely the financial effects of one's policy but also its general reactions on the country, and it is being realized in many countries today that although retrenchment has to be imposed very ruthlessly and very rigorously, still in itself retrenchment may produce unfavourable reactions and thus intensify the economic depression. We started by pursuing retrenchment rigorously and ruthlessly, and I think we may claim that we have achieved a fairly even balance between these conflicting considerations and that, as long as things remain as they are, we have pursued that method of retrenchment to about the right degree.

Several Honourable Members have spoken about reducing the cost of the army. Well, I would ask them to realize this, that we have now got to a point where further reductions in army expenditure cannot be achieved without reductions of troops, and that in order to achieve appreciable economies the reductions in troops would have to be on a very substantial scale. If troops are to be reduced, those reductions cannot be confined to the British troops in this country and I doubt very much whether any Honourable Member would really press for that. There would therefore have to be reductions on both sides and after all the greater part of the expenditure on troops goes on pay and pay means purchasing power. And therefore, if further heavy retrenchments in the army have to be effected, I would ask Honourable Members to appreciate that it will withdraw a certain amount of purchasing power—the amount varying according to the degree of the retrenchment—from large classes of people and the poorest people in this country. That is an aspect of the matter which must not be left out of account.

Now, Sir, apart from that, there are certain main topics on which, as I say, I must say a few words. The main topics on which I think most people have concentrated are—the question of the sugar excise, the question of our proposals of assistance to Bengal and its reactions on other provinces and the question as regards our proposals for reduction and avoidance of debt.

As to sugar, perhaps the most detailed case, supported by figures, was made by my Honourable friend, Sir Homi Mehta. I shall study his figures with interest. I only have this to say that the whole of his calculations started from the premise that the Indian sugar factory pays six annas per maund for cane. Well, according to my information, that is a statement which does not accurately represent the facts as they are today. If those were the facts perhaps the case would be more satisfactory than it is. I think perhaps if my Honourable friend will excuse me, the time is very short—

THE HONOURABLE SIR HOMI MEHTA: I only wish to say, Sir, that at present it is more than six annas.

THE HONOURABLE SIR GEORGE SCHUSTER: I am sure some of the factories pay more but I think the general average price is considerably less. We at any rate take our stand on the position as stated by my Honourable friend Mr. Henderson that we think that even with this excise it will be possible for the factory to pay a fair price to the producer, for the factory, if it is well managed, to earn a fair profit, and for the factory to charge a price that is not excessive to the consumer. It is on these three propositions that we stand and upon which our proposals must be judged.

Then again, in connection with sugar a good deal has been said about the loss of revenue. Some Honourable Members have been horrified at its extent. Others have tried to represent that the figures are not so large as have been stated on other occasions, because there were compensating advantages to Government. It is true, of course, that in the year 1930-31 we got something over Rs. 10 crores of revenue from sugar but of course that does represent the peak of our receipts and by that time the duty was already at a level so high that it must have had a protective effect and therefore I think it would be unfair to say that the country should have relied permanently on getting something like Rs. 10 crores out of the sugar duty. I would put it at Rs. 7 crores as a permanent and reliable source of revenue. Now, as Honourable Members know, it has come down to Rs. 2 crores and we have tried to gain back a certain amount more in this excise duty. But even so, the loss of revenue will be very heavy indeed and I am afraid that only a very small fraction of that can be recouped out of income-tax returns. One does not wish to exaggerate the position but in whatever way you present it you must recognize that the cost of protecting the sugar industry in India to the general public and the general body of consumers has financially been a very heavy one.

Now, Sir, as regards Bengal, I think the case has been very fully discussed today and the case for Bengal has been very ably stated by my Honourable friend Mr. Basu. I can only repeat what I have already said that in making this proposal we made it on the ground that Bengal was in a special position for which there was no parallel in India. We fully recognized the points and the dangers which were referred to by my Honourable friend, Sir Kurma Venkata Reddi. We recognized that it might be represented by those outside as a policy which was putting a premium on extravagance or a policy which was encouraging people not to help themselves. We recognized those dangers but we are quite certain that any inference of that kind cannot fairly be drawn from a proposal to give special assistance to Bengal. Judged by any standard which one can apply, as regards revenue and expenditure—and I would refer my Honourable friend Sir Kurma Venkata Reddi, to the calculations which were given

[Sir George Schuster.]

originally in the Simon Commission's report, particularly the portion written by Sir Walter Layton—according to any standard which one applies, the level both of expenditure and possible revenue in Bengal was considerably lower than in any other province. They cannot be accused of extravagance in standards of expenditure and we came to the conclusion that their present position was one from which they could not extricate themselves and therefore it was on that ground that our proposal was made. We also of course—although as I have already pointed out in the other House we cannot accept the White Paper as it stands as a commitment of any kind because it still has to be approved by Parliament—we nevertheless had before us the proposals in the White Paper and those proposals were based upon a very careful consideration of the position, the result of discussions in three successive committees on federal finance and of the examination of the position by Commissions which had come out to India. Those proposals definitely admitted that the case of Bengal could not be adjusted on any basis that could be devised of a general distribution of income-tax, and that therefore some preliminary adjustment was necessary. The actual proposal that they made was that at least half of the jute export duty should be handed over to the jute exporting provinces. Well, Sir, those conclusions having been reached in public documents, one cannot regard the position as entirely unprejudiced by them, and as we, approaching the matter from another angle, had reached the conclusion that there was a danger of the financial position of Bengal becoming unmanageably difficult, and as those proposals which had come up from the other side indicated one way of approaching the matter, it was a fairly natural conclusion that we should adapt our conclusion to the proposals of the White Paper and make a proposal in that particular form. But I repeat again that our action is based on our having formed a judgment that the case of Bengal was a special case and needed special assistance and that we were in no way pandering to inefficiency or extravagance or allowing a Government to force our hands merely because it refused to help itself.

Now, Sir, other speakers have raised the cases of other provinces. We have had a very eloquent statement of the case for Assam and a plea put forward that just as Bengal is receiving a portion of the jute export duty, so Assam should receive a portion of the excise duties on petrol and oil products produced in her own territory. Now I do not wish to commit myself on the question of Assam, though if my Honourable friend refers to my budget speech he will find a tentative expression of opinion on behalf of the Government of India that there may be a justification for special help in the case of Assam. But one point I must make, and that is that we cannot possibly accept the conclusion that there is any parallel between what has been done as regards the jute export duty and any claim that Assam may have for the excise duties collected on oil produced in her own territory. As one of the speakers in the Assembly pointed out, if Bengal was to cease producing jute tomorrow the revenue would disappear. But if Assam ceased producing petrol and kerosene tomorrow it would not make the slightest difference to the revenues of the Government of India, because the consumers would obtain the same petrol and the same kerosene from other sources. And in fact that brings out the essence of the difference. In the case of these excises it is the consumer who is being taxed, and in the case of the jute export duty it is a particular product that is being taxed.

Now, Sir, another case that has been raised is that of Bombay, and the particular point that has been made in that connection is that the finances of Bombay are in a very difficult position and that they are now overhung by a special difficulty, the difficulty of the competition from the Kathiawar ports and their unfavourable results on Bombay's financial interests. I am afraid that I cannot respond to the appeal which was made by several speakers that I should make a specific pronouncement on that subject today. I can only say this, that we do regard the matter as one of first class importance and that, as the province of Bombay has now officially raised that question, we recognize that it is a question which must be gone into very carefully and treated as a matter of urgency. We are going to do that and we fully recognize the difficulties in which the City of Bombay and the Government of Bombay are being placed.

Now, Sir, another important feature of the budget was of course our proposals for assistance to the province of Bihar. I should like to thank all those Honourable Members of this House who spoke today for their expressions of appreciation of what we have done in this matter. I have often, speaking on this subject, had to disclaim any right for Members of Government to expect thanks for generosity. The money with which we have to deal is not our own money. We are trustees. We have to perform public obligations and there should be no question of generosity for which Members of Government can claim thanks. But what we can claim is that we have tried to go into this matter as urgently as possible. We have not delayed it. We only waited until we felt the Government of Bihar would be ready from its own immediate disturbance after the earthquake to discuss the matter with us. I would like to remind the House that the Finance Secretary, Sir Alan Parsons, who sits behind me, in order to save time undertook a very long flight in an aeroplane at a time which, both for public and private reasons, was most extremely inconvenient to himself, and that he spared himself not at all when he was down there. He worked 12 hours a day and flew for two continuous days over the stricken area in order that he might be able to work out expeditiously proposals with the Government of Bihar. If there is any merit in the scheme which has been proposed I should like this House to appreciate that the credit for that is due to Sir Alan Parsons. (Applause.) Therefore we can claim, and I associate myself with him as a Member of the Finance Department, that we tackled the matter in a businesslike way, and the other thing we can claim in this connection is that the fact that we have been able to give assistance of this kind to Bihar without embarrassment is a result of the sound financial policy we have followed. It is an illustration of the value of pursuing principles of sound finance, because that means that when some unforeseen disaster comes upon one, one has a margin of strength upon which one can draw.

Now, Sir, as regards the reduction and avoidance of debt, the time is late and I think I really need say nothing on that subject. We felt after most mature consideration that what we were proposing was sound, was not risking our sound financial position, and would not in fact damage our credit. Since we made those proposals we have, I think, proved that our anticipations were correct, because, as I pointed out in the other House on Saturday, the immediate reaction in London was a very substantial and marked rise in the price of Government of India securities.

[Sir George Schuster.]

There is only one other small point to which I would like to refer. The Honourable Mr. Hossain Imam in his speech gave some figures indicating that the proportion of the Government of India's expenditure in London had greatly increased in the last ten years. I was unable to follow my Honourable friend's figures or to deduce the source from which he made his calculations, but I should be very glad to go into the matter with my Honourable friend. I feel that somehow or other there must be some misunderstanding about those facts. There is nothing in the facts which would support such a conclusion.

Now, Sir, it only remains for me again to express my thanks to this House for the courtesy which they have always extended to me. It has always been a pleasure to come to this House and to hear their views on my budget. One can appreciate the change of atmosphere and I myself have always gained a great deal from being able to participate, if only for a day, in the discussions in this Upper Chamber. I regret greatly that this should be the last occasion on which I come before this House. I regret also that on every occasion, I am afraid, that I have appeared before it, I have had to tell and to listen to something like a tale of woe. But, Sir, when all is said and done, I remain firmly of the opinion that our misfortunes and our hardships, the hardships of the people in India, have been less than the hardships in other countries as a result of this crisis. It has had, I think, less effect on India than on other countries. We have so far at any rate weathered the storm with less disturbance to normality. I hope that the tide is on the turn. I think there are reasons to think that it may be on the turn, but I am afraid one cannot and one ought not to look forward to any miraculous change, and I think one must recognize that what we used to formerly regard as a temporary cycle from which there would be a recovery to the post-war level is more than that, and that the world is not likely, within the next few years to recover to anything like the standards of 1928. We have got to adapt ourselves to lower standards of prices and world trade than we had come to think were normal after the war. And that is the last word which I have to say, that when we are thinking of special measures which some people regard as measures designed to tide one over a special period of distress, one must remember this that it is dangerous to adopt measures which are based on the supposition of a recovery to the former level. One must do what one can to improve things, but I think this country must recognize that in certain respects people have got to get accustomed to different standards to those which prevailed in 1928.

That, Sir, is my view on the situation; at the same time I am still an optimist and I hope that my successor when he comes before this House will not only receive the same courtesy as I have always received, but have the advantage of conducting his work in periods of a higher level of economic prosperity. (Applause.)

THE HONOURABLE THE PRESIDENT: This concludes the debate on the Budget, Part II.

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The Council then adjourned till Eleven of the Clock on Tuesday, the 6th March, 1934.







# COUNCIL OF STATE.

*Tuesday, 6th March, 1934.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

## QUESTIONS AND ANSWERS.

### RECRUITMENT TO THE ARMY IN INDIA RESERVE OF OFFICERS.

**43. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :**  
(a) With reference to question No. 64 asked in the Council of State on the 12th March, 1930 and question No. 323 asked in the Legislative Assembly on the 12th February, 1932, will Government be pleased to state whether it is a fact that no recruitment to the Army in India Reserve of Officers has been made for some years ?

(b) If so, since when has no recruitment been made ? And was recruitment stopped as a measure of economy ?

(c) When will recruitment to the Army in India Reserve of Officers be made and will it be made from among the ex-officers who have held the King's Commission in the Indian Territorial Force ?

(d) Is it the intention of Government to consider the advisability of giving an opportunity for recruitment to the Army in India Reserve of Officers this year to those ex-(King's Commissioned) officers of the Indian Territorial Force who are about to become over age and likely to be deprived of this privilege shortly ?

**THE HONOURABLE MR. M. G. HALLETT :** Sir, with your permission, I will answer this question on behalf of His Excellency the Commander-in-Chief.

(a) and (b). Recruitment for the Army in India Reserve of Officers has been held in abeyance since the 10th November, 1931, as a measure of economy.

(c) It is hoped to reopen recruitment for certain categories about the 1st April, 1934. Officers who have held King's Commissions in the Indian Territorial Force will be eligible for recruitment provided that they fulfil the conditions prescribed by the Regulations.

(d) The maximum age limit for admission into the Army in India Reserve of Officers is 35 years and Government do not consider it either necessary or desirable to extend this limit except to men of very special qualifications.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Will the Government be pleased to state if the recruitment on account of economy has also been stopped in England ?

**THE HONOURABLE MR. M. G. HALLETT :** I am afraid I must ask for notice of that question.

## EXPORT DUTY ON HIDES AND SKINS.

44. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

(a) What is the duty levied on the export of hides and skins from India, and since when has it been in force ?

(b) Is it a fact that the trade in hides and skins was about 20 years ago one of India's foremost trades, and that since the levy of the export duty it has diminished year by year in volume ?

(c) Is Government in a position to say whether it is a fact that no other country in the world levies an export tax on the hides and skins trade ? And is it a fact that one country, namely, South Africa, has subsidized this trade by a large bounty ?

(d) Is it a fact that at the last session of the Associated Chambers of Commerce, held at Calcutta in January, 1934, a resolution was passed recommending the abolition of this export duty ?

(e) What action, if any, does Government propose to take with regard to this proposal ?

THE HONOURABLE MR. T. A. STEWART: (a) The export duty on raw hides and skins is at present 5 per cent. *ad valorem*. This rate has been in force since 1st March, 1923. It is, however, proposed in the Finance Bill introduced recently to abolish the export duty on hides from the 1st April, 1934.

(b) The reply to the first part is in the affirmative. As regards the second part, I would invite the attention of the Honourable Member to the Annual Statements of Sea-borne Trade of British India, copies of which are in the Library of the House.

(c) From the information available it appears that there are countries other than India, e.g., China, Ceylon, and the Malay States, which levy an export duty on raw hides and skins. A subsidy was paid by the Government of the Union of South Africa on exports of raw hides and skins up to 1933. It is not known whether this subsidy is still being paid or not.

(d) Yes, Sir.

(e) Government have already placed their proposal before the Legislature as stated in my reply to part (a).

THE HONOURABLE MR. HOSSAIN IMAM: What is the income from the duty on hides and skins which we are abolishing ?

THE HONOURABLE MR. T. A. STEWART: I am informed that roughly it is Rs. 14 lakhs.

RESTRICTIONS IMPOSED WHEN THE TITLE OF RAJA IS CONFERRED IN REGARD TO POSSESSION, SUCCESSION AND DISPOSAL OF PROPERTY.

45. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

(a) Is it a fact that there are certain restrictions imposed on those upon whom the Government confers the title of Raja with regard to possession, succession and disposal of property ?

(b) If so, will Government be pleased to state what these restrictions are ?

THE HONOURABLE MR. B. J. GLANCY: (a) No.

(b) Does not arise.

INDIAN METEOROLOGICAL DEPARTMENT.

46. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :  
(a) What are the duties and functions of the Indian Meteorological Department and what is the cost of its maintenance ?

(b) Has the Department got any connection with astrology ?

(c) If not, do Government intend to consider the advisability of encouraging research in Indian astrology ?

THE HONOURABLE MR. D. G. MITCHELL: (a) The duties and functions of the Indian Meteorological Department are stated in paragraph 1 of the publication entitled "Functions and Organisation of the India Meteorological Department", a copy of which has been placed in the Library of the House. The cost of maintaining the Department is approximately Rs. 17,50,000 a year.

(b) and (c). No.

HOMŒOPATHIC SYSTEM OF MEDICINE IN INDIA.

47. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :  
(a) Is it a fact that the homœopathic system of treatment is gaining popularity all over India ?

(b) Is it a fact that there are a number of bogus homœopathic institutions and practitioners who confer bogus diplomas even on laymen on payment of a small fee of Rs. 5 only or even less ?

(c) Do Government intend to consider the advisability of controlling the practice of this medical science by opening Government colleges to teach homœopathy or recognizing and subsidizing some of the existing reliable homœopathic medical institutions, or by prescribing a minimum qualification for homœopathic medical practitioners and introducing the system of registration of such practitioners ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :  
(a) No.

(b) The Honourable Member's statement may be correct. I have no information on the subject.

(c) The suggestion is one primarily for the consideration of Provincial Governments.

CONSTRUCTION OF A RAILWAY LINE FROM KASHIPUR TO KALAGARH.

48. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :  
(a) Will Government be pleased to state whether it is under consideration to construct a R. K. R. railway line from Kashipur to Kalagarh *via* Thakurdwara in the United Provinces ?

(b) If so, what progress has been made with the project ?

(c) When is the project likely to be taken in hand and when is it likely to be completed ?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) and (b). The project referred to is one of those which are being re-examined at present with a view to ascertaining whether they are likely to prove remunerative.

The adverse effects of competition by motor traffic on roads have been so marked in recent years that it is considered necessary to re-examine projects in the light of that experience, even though they may have been considered remunerative in the past.

(c) If the project should be found, after re-examination, to be remunerative under present conditions, the question of its comparative importance and urgency, *vis-a-vis* other remunerative projects under examination, will have to be considered before a decision regarding its construction can be arrived at. The period required for construction will be about two years from the date of sanction.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: May I know, Sir, how long will the re-examination take?

THE HONOURABLE SIR GUTHRIE RUSSELL: I should say about six to eight months but I cannot guarantee that.

THE HONOURABLE SAIYID RAZA ALI: Was a preliminary survey made of these lines some months ago?

THE HONOURABLE SIR GUTHRIE RUSSELL: I believe a preliminary survey of these lines was made some years ago.

CERTAIN ALLEGED EVENTS IN CONNECTION WITH THE VISIT OF THE ROYAL GARHWAL REGIMENT TO MIDNAPORE.

49. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD:

(a) Is it a fact that some days ago a notice was served by the Sub-divisional Officer of Midnapore on Congress workers and other citizens of Contai requiring them to be present "without fail" in the compound of the local dak bungalow at a particular hour on a particular day in order to welcome the soldiers of the Royal Garhwal Regiment who were reaching there, and to salute the British flag?

(b) If so, will Government be pleased to state why such an order was issued by the Midnapore authorities and under what law?

(c) Were some people arrested for failing to comply with these orders and, if so, how many and with what result?

THE HONOURABLE MR. M. G. HALLETT: (a) A notice was issued on the 15th December, 1933, by the Sub-divisional Officer, Contai, to several local gentlemen in the sense indicated except that the words "without fail" do not occur in that notice.

(b) and (c). It is customary when troops visit a town to receive them with some formality and ceremony. It was on this account that the Sub-divisional Officer issued the notice asking gentlemen to be present. No action was taken against those who did not attend the ceremony and no force was used to compel them to attend.

THE HONOURABLE MR. BIJAY KUMAR BASU: Was there any explanation asked from some gentlemen who did not attend as to the reason why they did not?

THE HONOURABLE MR. M. G. HALLETT: I cannot answer that question off-hand. I do not recollect seeing anything about that.

USE OF BLACK PAINT ON THE EASTERN BENGAL RAILWAY.

50. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that the Eastern Bengal Railway painted wagon No. 1469 in August, 1930, and wagon No. 1123 in September, 1930, with Muraco special black for carrying out an exposure test? If so, is it a fact that those two wagons came back to the Kanchrapara workshop in May, 1933? If so, is it a fact that on 15th May, 1933, the Agent and Chief Mechanical Engineer, Eastern Bengal Railway, inspected the paints on those two wagons and found them to be satisfactory after the actual service and run on traffic of about two years and ten months?

(b) If they found the Muraco special black to be satisfactory in the exposure test and economical in cost, will Government be pleased to state what steps have the Eastern Bengal Railway taken to replace the black paint of Jenson and Nicholson by the paint of Indian firms? If no steps have been taken, why?

(c) Will Government be pleased to state whether the ready mixed paint of Jenson and Nicholson 3 per cent. carbon black had been tested by the Government test house or the Indian Stores Department before it was accepted against tender No. M./3530 for 1934-35? If not, why not?

THE HONOURABLE SIR GUTHRIE RUSSELL: Information has been called for and a statement will be laid on the table of the House in due course.

USE OF BLACK PAINT ON THE EAST INDIAN RAILWAY.

51. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that the East Indian Railway authorities purchased 25 gallons of Jenson and Nicholson ready mixed black paint for trial on wagons at Rs. 3 per gallon?

(b) Is it a fact that they used that paint in painting wagons in September, 1932, and could only paint 11 wagons with those 25 gallons of paint purchased?

(c) Will Government be pleased to state whether the paint tried was the same as that being used by the Eastern Bengal Railway from the same firm?

(d) Will Government be pleased to state the area covered with these 25 gallons in square feet?

(e) Is it a fact that the East Indian Railway authorities purchased for the second time 50 gallons of Jenson and Nicholson ready mixed black paint for test on wagons at Rs. 3 per gallon?

(f) Is it a fact that they used that paint in painting wagons in December, 1932, and could only paint 22 wagons with those 50 gallons of paint purchased?

(g) Will Government be pleased to state whether the paint tried was the same as that being used by the Eastern Bengal Railway from the same firm?

(h) Will Government be pleased to state the area covered with these 50 gallons in square feet?

(i) Is it a fact that the East Indian Railway purchased for the third time 50 gallons of Jenson and Nicholson ready mixed black paint for test on wagons at Rs. 3 per gallon?

(j) Is it a fact that they used that paint in painting wagons in March, 1933, and could only paint 12 wagons with these 50 gallons of paint purchased ?

(k) Will Government be pleased to state the area covered with these 50 gallons in square feet ?

(l) Is it a fact that the East Indian Railway authorities purchased for the fourth time 500 gallons of Jenson and Nicholson ready mixed black paint for test on wagons at Rs. 3 per gallon ?

(m) Is it a fact that they used that paint in painting wagons in July, 1933, and could only paint 105 wagons with those 500 gallons of paint purchased ?

(n) Will Government be pleased to state whether the paint tried was the same as that being used by the Eastern Bengali Railway from the same firm ?

(o) Will Government be pleased to state the area covered with these 500 gallons in square feet ?

THE HONOURABLE SIR GUTHRIE RUSSELL: Information has been called for and a statement will be laid on the table of the House in due course.

#### INDIAN STORES DEPARTMENT.

52. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that the Indian Stores Department was created for the purpose of centralizing all the purchases of Government stores ? If so, will Government be pleased to state whether the State Railway authorities are empowered to purchase stores independently of the Indian Stores Department ? If so, why ?

(b) Do Government propose to issue orders for the purchase of all Government stores for State Railways or for other departments through the Indian Stores Department ? If not, will Government be pleased to state the reasons why the Indian Stores Department has been kept in existence and so much money is being spent on the department ?

(c) Is it a fact that the Indian Stores Department was created for keeping a watch over Government purchases from the Indian firms and for supporting indigenous industries ? If so, what steps do they propose to take to stop the purchases for railways by the railway authorities themselves ?

THE HONOURABLE MR. D. G. MITCHELL: The attention of the Honourable Member is invited to the final report of the Stores, Printing and Stationery Sub-Committee of the Retrenchment Advisory Committee which gives a clear and succinct account of the circumstances leading up to the creation of the Indian Stores Department, the objects the Government had in view when the department was created and the extent to which those objects have been achieved. A copy of this report is in the Library. The position is reviewed annually in the administration reports published by the department and the special attention of the Honourable Member is invited to the report for 1932-33 which was published after the Retrenchment Committee had submitted its report. This also is in the Library.

AGREED PROPOSALS OF THE CONFERENCE OF REGISTRARS OF CO-OPERATIVE SOCIETIES.

53. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Will Government be pleased to state the agreed proposals of the last conference of Registrars of Co-operative Societies ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : A copy of the proceedings of the Conference will be placed in the Library of the House as soon as printed copies are available.

ESTABLISHMENT OF AN ALL-INDIA CO-OPERATIVE COUNCIL.

54. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it a fact that Government is going to establish an All-India Co-operative Council on the lines of the Imperial Council of Agricultural Research ?

(b) If answer to part (a) is in the affirmative, what will be its constitution and when will it be established ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : (a) No. The Honourable Member is probably referring to a proposal that has been under consideration.

(b) Does not arise.

DISPOSAL OF MOLASSES IN SUGAR FACTORIES.

55. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Has the attention of Government been drawn to the urgent necessity of disposing of molasses in sugar factories ?

(b) If so, will Government be pleased to lay their schemes on the table at an early date ?

(c) If the answer to part (a) is in the negative, do Government propose to take early steps through the Imperial Council of Agricultural Research to find out all possible solutions of the problem ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : (a) Yes.

(b) and (c). The Sugar Committee of the Imperial Council of Agricultural Research discussed the question of the utilization of molasses at its meeting held at Coimbatore in November last. A copy of the proceedings of that meeting has been placed in the Library of the House. The question of the action to be taken on the Sugar Committee's recommendations is under consideration.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK : Will the Government be pleased to state how long it will take to come to a definite conclusion ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : It is impossible to say, Sir.



THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Has any scheme been suggested by the Sugar Committee?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: When the Honourable Member reads the report he will find many schemes discussed.

#### IMPORTS OF SUGAR AND SUGAR CANDY.

56. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Will Government be pleased to state how much sugar as well as sugar candy from each country has been imported into India in accordance with the latest figures available?

THE HONOURABLE MR. T. A. STEWART: As regards imports of sugar, the Honourable Member is referred to Volume I of the Annual Statement of Sea-borne Trade of British India and the Monthly Accounts relating to the Sea-borne Trade and Navigation of British India, copies of which are available in the Library of the Legislature. Imports of sugar candy during April to December, 1933, which are not shown separately in the above publications, were as follows:

	Cwts.	Rs.
From Japan . . . . .	23,851	1,75,968
From other countries . . . . .	31,550	2,44,793
Total . . . . .	55,401	4,20,761

#### ADMISSION OF CEYLONESE TO THE INDIAN CIVIL SERVICE.

57. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Is it a fact that Ceylonese are eligible for recruitment to the Indian Civil Service through the competitive examination held in London?

(b) If so, are the Ceylonese recruited to the Indian Civil Service counted as Indians for the purpose of Indianization?

THE HONOURABLE MR. M. G. HALLETT: (a) Yes.

(b) The question has not yet arisen, as even with the recruitment of three Ceylonese in the last two years, Indians have received more than the quota of appointments to which they are entitled in accordance with the 50:50 ratio.

THE HONOURABLE SAIYID RAZA ALI: Are Indians eligible for appointment to the Civil Service of Ceylon?

THE HONOURABLE MR. M. G. HALLETT: No, Sir.

THE HONOURABLE SAIYID RAZA ALI: Are Government considering the question of introducing the principle of reciprocity so far as appointments to the Indian Civil Service and the Ceylon Civil Service are concerned?

THE HONOURABLE THE PRESIDENT: That supplementary question does not arise out of the original question. The Honourable Member may give notice of that question.

EAST INDIAN RAILWAY MUSLIM EMPLOYEES' ASSOCIATION, LUCKNOW.

58. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

(a) Is it a fact that there is an association of the Muslim employees of the East Indian Railway at Lucknow ?

(b) Is the Association recognised by the authorities ?

(c) Is it a fact that the so-called East Indian Railway Muslim Employees' Association, Lucknow, at its meeting held on the 1st February passed a resolution to the effect that the Association "views with strong disapproval the extreme paucity of Muslim staff in the establishment section of the East Indian Railway workshop and divisional offices and requests the authorities to appoint suitable Muslims . . . ." ?

(d) If so, do Government approve of the existence of a communal organization of the employees of a State Railway and of their indulging in politics of the communal type ?

THE HONOURABLE SIR GUTHRIE RUSSELL: (a) and (c). Government have no information.

(b) and (d). I would refer the Honourable Member to the replies given by the Honourable Sir Frank Noyce to starred questions Nos. 332 and 333, asked by Mr. M. Maswood Ahmad in the Legislative Assembly, on the 1st September, 1933.

THE HONOURABLE SAIYID RAZA ALI: Will the Honourable Member please state what is the proportion of Muslim employees in the establishment section of the East Indian Railway ?

THE HONOURABLE SIR GUTHRIE RUSSELL: I am afraid I must ask for notice of that question.

LOANS FOR ROAD DEVELOPMENT.

59. THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR :

(a) Will Government be pleased to state what steps, if any, have been taken to give effect to the Honourable Sir George Schuster's proposal regarding loans for road development ?

(b) Has any Provincial Government taken advantage of the proposal or shewn any tendency in that direction ?

(c) If the answer to the above be in the affirmative, will Government state if any practicable scheme has been received by them from any of the provinces ? And if so, which are the provinces ?

THE HONOURABLE MR. D. G. MITCHELL: (a) The attention of Local Governments has been drawn to this matter, and they have been invited to make specific proposals.

(b) Not yet.

(c) Does not arise.

**COMPULSORY INSURANCE BY MOTOR OMNIBUSES AGAINST PASSENGERS' AND THIRD PARTY RISKS.**

**60. THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR :**  
(a) Has the attention of Government been drawn to the fact that drivers of motor omnibuses in big cities and elsewhere owing to their competitive runs and eagerness to pick up the greatest number of passengers and other causes, very often bring about accidents and consequent injuries to passengers ?

(b) Has the attention of Government been drawn to the fact that the Government of Bombay have of late so amended their Public Conveyance Rules, 1922, as to make it compulsory for motor omnibuses to insure against passengers' and third party risks ?

(c) Will Government be pleased to state in how many and which of the provinces such insurance rules are in existence ?

(d) Have Government considered the advisability of drawing the attention of all Provincial Governments to the extreme necessity of having such safeguards against motor bus risks ?

**THE HONOURABLE MR. D. G. MITCHELL :** With your permission, Sir, I propose to reply to all the parts of the question together.

As far as the Government of India are aware, until lately, none of the provincial motor vehicles rules provided for the compulsory insurance of public vehicles against passengers' and third party risks; but, recently the attention of all the Provincial Governments has been specifically drawn to the desirability of providing for such insurance, in the interests of public safety and convenience. So far, only the Bombay Government who have recently amended their Public Conveyance (Motor Vehicles) Rules, 1922, in the manner referred to, have acted upon the suggestion.

**NUMBER AND NAMES OF LIGHT RAILWAYS THAT HAVE TO COMPETE WITH ROAD TRANSPORT.**

**61. THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR :**  
Will Government be pleased to state :

(a) The number and the names of the light railways, if any, that have to compete with the growing road transport in India ?

(b) Which of the railways have been adversely affected by such competition ?

(c) Whether any of the railways have outlived their utility owing to their operation at a loss mainly through such competition ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) and (b). A list of all the light railways will be found in Statement 6 or Statement 7 (pages 50-51 and 58-60) of Volume II of the Report by the Railway Board on Indian Railways for 1932-33, copies of which are in the Library. Practically all of them have been affected, in varying degrees, by competition from road motor transport.

(c) The answer to this is so largely a matter of opinion and depends so much on various factors which it is not possible correctly to assess, that Government cannot make a definite statement on the subject.

MEDICAL ARRANGEMENTS ON STEAMERS GOING TO THE ANDAMANS.

62. THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR :

(a) Will Government be pleased to state what sort of steam vessels are used by passengers bound for the Andamans? Are the said vessels chartered by Government or run by Companies?

(b) What medical arrangements are provided on those vessels?

THE HONOURABLE MR. M. G. HALLETT: (a) Two steamers are chartered by Government from the Asiatic Steam Navigation Co., Ltd., for the Andamans mail and passenger service. They are run by the Company under the orders of the Chief Commissioner, Andaman and Nicobar Islands.

(b) A sub-assistant surgeon travels on the steamers and is in charge of the medical arrangements.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Are the medical arrangements quite adequate?

THE HONOURABLE MR. M. G. HALLETT: I might suggest, Sir, that the Honourable Member might discuss that point with my friend Mr. Sloan, Joint Secretary in the Home Department, who recently travelled by this line and who can give him any information that he requires. I understand they are satisfactory.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Are the arrangements quite on a par with those on British sea-going vessels?

THE HONOURABLE MR. M. G. HALLETT: I understand they are quite adequate for the purpose of the short trip from Calcutta, Madras or Rangoon to the Andamans.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Have Government taken any steps recently to improve the position?

THE HONOURABLE MR. M. G. HALLETT: So far as I am aware, there is no necessity for improvement.

LINKING UP OF DARJEELING WITH CALCUTTA, ETC., BY AEROPLANE, ETC.

63. THE HONOURABLE MAHARAJA JAGADISH NATH RAY OF DINAJPUR : Will Government be pleased to state :

(a) Whether there has been any proposal to link up Darjeeling with Calcutta or any other place by aeroplane, mail or passenger service?

(b) If so, what progress has been made?

(c) Whether the route proposed to be taken will pass over any part of the Dinajpur district and whether there will be a landing station in Dinajpur town?

THE HONOURABLE MR. D. G. MITCHELL: (a) Government are not aware of any active proposal of this nature. In 1928 a private firm carried out an experimental flight between Calcutta and Siliguri with a view to testing the possibilities of a regular service to connect with Darjeeling, but abandoned the project.

(b) and (c). Do not arise.

## INDIAN MEDICAL SERVICE.

64. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :

(a) (i) Will Government be pleased to state the functions of the Indian Medical Service, its composition and the existing method of recruitment to it ?

(ii) Is recruitment made every year and is it made in England alone ?

(iii) To what classes of His Majesty's subjects is recruitment open ?

(b) Is there any percentage fixed for the recruitment of Europeans and Indians, respectively ? And if so, what ?

(c) Is it a fact that a competitive examination used to be held formerly for recruitment to the Indian Medical Service and, if so, where was the examination held and under what conditions ?

(d) In what years was this system of examination in vogue and for how long did it continue ?

(e) When was the system of competitive examination discontinued and for what reasons ?

(f) Is it the intention of Government to reopen the competitive examination for recruitment of candidates to the Indian Medical Service and, if so, under what conditions ?

THE HONOURABLE MR. M. G. HALLETT: With your permission, Sir, I will answer this question on behalf of His Excellency the Commander-in-Chief.

(a) (i) The functions of the Indian Medical Service which is primarily a military service, include administrative and executive medical duties in connection with the care of the health of the Army in India. Similar duties are performed by officers of the Service who are transferred to civil employ under the various Local Governments and Administrations. In civil employ officers also perform teaching, research, jail and other miscellaneous work.

The Indian Medical Service is composed of British and Indian officers.

The existing method of recruitment to the Indian Medical Service is by selection committees held in India and in England who recommend candidates for appointment by the Secretary of State.

(ii) Recruitment to the Indian Medical Service is made in England and in India as and when required.

(iii) Every candidate must be either (a) a British subject of European descent in the male line, whose father was, at the time of the candidate's birth, a British subject, or (b) a British subject whose father was, at the time of the birth of the candidate, either a British subject domiciled in British India or a subject of a State in India. In either case, such father must still be, or have continued to be to his death, a British subject or a subject of such a State in India.

(b) Yes; the percentage at present fixed for British and Indians is 66½ and 33½, respectively.

(c) Yes; in England; under conditions prescribed from time to time by the Secretary of State for India.

(d) It was in vogue for over 60 years, starting from January, 1855.

(e) The competitive examination was discontinued after July, 1915, owing to lack of competition and because it was considered that the system of selection by interview which has been in force since that date gave better results.

(f) The reply to the first part of the question is in the negative. The remainder of it does not therefore arise.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Will Government be pleased to state if they propose to stick to the number fixed for recruitment in India and England at present, or are they going to increase recruitment in India?

THE HONOURABLE MR. M. G. HALLETT: As I am not personally cognisant of the facts with which this answer deals, I must ask for notice of that question. I have no doubt it will be explained in the course of the debate tomorrow.

PAY FOR FUTURE ENTRANTS TO THE IMPERIAL OR ALL-INDIA SERVICES.

65. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: (a) Is it under the consideration of Government to reduce the pay of future entrants to the Imperial or All-India Services?

(b) If so, is Government in a position to disclose their plans in this behalf and to state how far the proposal has progressed?

THE HONOURABLE MR. M. G. HALLETT: (a) and (b). The Secretary of State has been addressed on the question of the revision of the pay of future entrants to the Indian Civil Service and the Indian Police.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Are Government in a position to disclose their recommendations made to the Secretary of State in this behalf?

THE HONOURABLE MR. M. G. HALLETT: No, Sir.

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### WHEAT IMPORT DUTY (EXTENDING) BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I move:

"That the Bill further to extend the operation of the Wheat (Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration."

This is the third occasion on which it has been found necessary to propose an extension of the operation of the Wheat Import Duty Act which was passed as a temporary measure in 1931. Since on three previous occasions this Honourable House has accepted the principle of this Bill it is unnecessary, I submit, for me again to deal with that principle. It will suffice, I think, if I endeavour to show to Honourable Members that the conditions which justified the original passing of the Bill and its continuance on two subsequent occasions are still in existence. The first condition is

[Mr. T. A. Stewart.]

that there should be in existence large supplies of surplus stocks of wheat in the great wheat-producing and wheat-exporting countries of the world which are available for being exported to India should the duty be removed. The second condition is that the price of wheat in India should be above the parity of world prices. Given these initial conditions it is inevitable that the removal of the duty would result in the invasion of Indian markets by foreign supplies. The result, I am sure you will agree, would be disastrous for the wheat producer in India. Let me sum up the position as far as stocks are concerned. The most important wheat consuming area in the world is Europe, and Europe in the past year has enjoyed extraordinarily favourable crops, not only of wheat but of other cereals such as rye and of other food crops such as potatoes. As a result of this bumper harvest and as a result too of the restrictions on international trade, which unfortunately still exist, the European demand has been estimated at the exceptionally low figure of 375 million bushels. Of this 375 million bushels about 100 million bushels will be supplied from European sources, such as Russia and States on the Danube, leaving a matter of 275 million bushels to be supplied. Against this there is an exportable surplus in the four big producing countries, Canada, the United States, the Argentine and Australia, amounting to 970 million bushels. The non-European demand amounts to about 150 million bushels, so that when the European and non-European demand has been satisfied, there will still remain the enormous quantity of 545 million bushels looking for a market. That quantity converted into tons represents something like 15 million tons, which may be compared with an Indian production of between nine and ten million tons. I think it may be taken, Sir, that the first condition to which I refer is very adequately satisfied.

To show that the second condition is also satisfied I would give you only two price quotations. The spot price of Australian wheat in London today, or rather at the end of December, expressed in Indian units was Rs. 2-9-0 per maund. At a corresponding period the price of Lyallpur wheat landed in Calcutta was Rs. 3-3-0 per maund. Honourable Members will I think agree that the removal of the duty would be sure to result in very considerable imports of wheat from abroad.

It may be suggested that there is another condition that should be fulfilled before the continuance of this wheat duty is justified, and that is that it should be demonstrated that the imposition of the wheat duty does not prove an unreasonable burden on the very large mass of consumers in India. That the imposition of the wheat duty has not been such a burden will, I think, appear from the following prices which I quote. Back in 1928 the price of wheat f. o. r. Lyallpur was Rs. 5-14-0 per maund. In the following year it stood at Rs. 5-5-0 per maund, and in December, 1931, nine months after the imposition of the duty, it had fallen as low as Rs. 2-10-6. There was a slight recovery in 1932, when the December quotation was Rs. 3-3-0 per maund. Last December however the price had again fallen and stood at Rs. 2-2-3 per maund. I think those figures will satisfy Honourable Members that the result of the imposition of the duty has not been a rise in price against the consumer. In these circumstances, Sir, it is considered necessary that the duty should be continued for still another year.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I rise to congratulate my Honourable friend Mr. Stewart for again bringing this Bill up this year to give another year's life to wheat production. When a similar Bill was introduced last year I requested the Government not to bring in Bills for giving protection to wheat again and again every year, but that they should give it for a period of at least three years. There is no other way of solving the economic problem of India but to raise the prices of agricultural products and this measure is one which helps in doing so. With the protection given the price of wheat ranges round about Rs. 3 per maund, which is quite reasonable. Had there been no protection, I do not know to what level prices would have gone.

Sir, there are certain other things which also ought to be taken into consideration with the protection given to wheat and the most important of them is the reduction of canal rates. The Punjab and the United Provinces can produce wheat still more cheaply if the canal rates are reduced. We have been pressing for it and I hope the Government of India will draw the attention of the Local Governments on that point. Then, Sir, it is also very necessary that the ratio should be lowered. We are suffering greatly on account of high ratio. If it is lowered to 1s. 4d. or even still less, we are sure that the price of agricultural products in this country will go up and it will help to solve the economic problem. Sir, we are grateful to Government for having reduced the freight on Punjab wheat from Lyallpur to Karachi, but so far as the United Provinces are concerned, no such concession has been made. The United Provinces comes second on the list so far as this wheat crop is concerned and I would request the Government to see their way to give some concession of freight to United Provinces wheat as well and I hope the Government will do it soon.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab: Muhammadan): Sir, it is a matter of gratification that the Government of India has proposed to extend the Wheat Import Duty Act for another year. The current price of wheat and other agricultural produce hardly covers the cost of production and does not leave any margin for the unfortunate cultivators. The plight of cultivators, who have no other source of income, may well be imagined. Any measures to tackle the problem will be welcomed all over the country. I would suggest that railway freight on food grains imported into Bihar province from other provinces of India should be reduced as a temporary measure. This would help in disposing of large stocks of wheat in Northern India to some extent and would also be a source of relief to the unfortunate victims of the earthquake calamity in Bihar. Sir, I support the Bill whole-heartedly.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, being an elected representative from the Punjab, I welcome this measure. It would have been much better if the Government had put forward a consolidated measure covering protection to all food grains produced in India which are subjected to dumping from and by foreign countries. Sir, the Honourable Mr. Stewart has given us a lot of statistics, but what I expected from him was this. As this House is quite unaware of the terms of the new Anglo-Soviet Agreement I should like to know whether in that Agreement Great Britain has agreed to take any specific quantity of wheat, rice or other food grains from Soviet Russia;



[Rai Bahadur Lala Ram Saran Das.]

because in that case India is bound to suffer because so far as Dominion preference is concerned India will be at a loss. Sir, one of my colleagues complained that railway freight on wheat from the Punjab to Bengal has been lowered. For this, Sir, I must thank the Punjab Government as they have taken a great deal of pains in getting that rate reduced, but I cannot avoid mentioning that it has been quite a business proposition for the railway. It has been purely the loss of long distance traffic which has induced the railway to lower the freight. Punjab wheat used to go to Karachi and thence it was shipped to Calcutta and the result was that the railways got traffic only for about 600 or 700 miles instead of 1,400 miles. However, Sir, that is a question on which I need not dilate, I have simply mentioned it because as far as the development of India is concerned railway rates play an important part.

I fully endorse the view of my Honourable friend Rai Bahadur Mathura Prasad as regards raising of prices of wheat and other agricultural produce which are at present very low. Sir, this sort of protection does help India to some extent, but when prices fall down to the level of last year when, in certain villages away from railway stations in the Punjab, the price of wheat ruled somewhere between Re. 1 and Rs. 1-2-0 a maund, the Government must take some effective measures to raise the price of wheat and rice, etc., which are the principal products of India and thus help India.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, I rise to support the Motion but I do it not with an unmixed feeling of joy and sorrow. I am feeling happy as the Bill aims at helping the agriculturists, be they Punjabis, Bengalis, or Biharis. But, Sir, I feel depressed when I remember the attitude adopted by some of my friends from the Punjab in the other House regarding the Government's provision in the present budget for the payment of half the jute export duty to the Government of the province to which I have the honour to belong. Sir, this Bill does not help Bengal or any other province except the Punjab. All the other provinces are welcoming the measure knowing fully well that this duty on wheat means the raising of the price of the article and which also means that the consumers are asked to pay more to help the producers. I think the House will agree with me when I say that in this case of wheat the producers are mainly the people of the Punjab who are being helped by the consumers in Bengal and other provinces where wheat is not cultivated. I hope my friends from the Punjab will emulate the example of the members from other provinces in not grudging any help rendered in times of need to other provinces.

THE HONOURABLE MR. BIJAY KUMAR BASU: Would these remarks be relevant?

THE HONOURABLE THE PRESIDENT: Yes; perfectly relevant.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Before I resume my seat I feel it my bounden duty to congratulate the Honourable the Commerce Member for extending this measure for another year and thus rendering the help required to the agriculturists producing wheat, mainly in the Punjab and Northern India.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa: Muhammadan): Sir, if I rise, I rise to support not to oppose. I simply wish to draw the attention of the Government to the position in which we are at present. To all those gentlemen who look at the papers it will not come as news that there was a great hue and cry in Bengal against this import duty on wheat as well as this protective duty on salt and I was really surprised to see that a representative of Bengal should of all men object to the ventilation of Bengal's grievance. But these are the advantages of not being elected!

Sir, we are in entire agreement with the Government that wheat must be protected and the fact that the prices have not soared high and the internal production has helped the Government in bringing the prices down is also something for which we may be thankful on behalf of the consumers. But, Sir, as my leader pointed out, it is necessary that we should take a wide view and try to safeguard not merely one product but all the products in India as far as possible.

Sir, I support the Bill.

**\*THE HONOURABLE SIR KURMA VENKATA REDDI** (Madras: Nominated Non-Official): Sir, I rise to support this Bill whole-heartedly. We do not raise any wheat crop nor do we consume much wheat but at the same time we know the mischief that is being done on account of low prices. If only one province in this great land is benefited, we feel that the whole of India is benefited to that extent. Sir, a perusal of the trade revenue furnished to us along with the budget papers will clearly show that whereas the national income from agricultural produce was something like Rs. 1,000 crores in 1928 and 1929 it has come down to Rs. 503 crores in the years 1932 and 1933. That means, Sir, that the national income has been reduced, and any attempt made to raise the prices and increase the national wealth would be welcome and we are thankful to the Government for extending the operation of the Bill for another year.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** (West Bengal: Muhammadan): Sir, I rise to support the Bill and associate myself with the Honourable Members who preceded me; and join hands with them in support of the extension of the period of this Bill in the interest of the wheat-growers of India.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD** (United Provinces Northern: Non-Muhammadan): Sir, I would not have spoken on this Motion had it not been for the fact that the speeches of my Honourable friends Mr. Banerjee and Sir Kurma Reddi might create an impression that it is only the Punjab that would benefit by this measure. I may tell my Honourable friends that the United Provinces is also a wheat-producing province and so is Bihar as my friend, Mr. Hossain Imam, informs me. So, in addition to the Punjab, the United Provinces, the province of Bihar and the North-West Frontier Province will also be benefited by the provisions of this Bill.

As regards the interests of the consumer, I may point out that since the import duty in the past has not resulted in an undesirable rise in the

\*Speech not corrected by the Honourable Member.

[Rai Bahadur Lala Jagdish Prasad.]

prices of Indian wheat and since the harvest this year is very good, there is absolutely no danger of the interests of the consumer suffering in any way by the continuance of the import duty on wheat.

With these remarks, Sir, I give my whole-hearted support to the measure.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab: Nominated Non-Official): To me, Sir, this appears to be a measure of necessity and not a measure of generosity. I assure the Honourable Members that the plight of the zemindars in the Punjab is pitiable. (*Honourable Members*: "What about Bengal and other places?") I refer to the Punjab because the Punjab has been mentioned again and again. I know there is wheat produced in the United Provinces and my friend informs me in the North-West Frontier Province and also in Sind, but if this little indirect help which the Wheat Import Duty Act of 1931 extends to the zemindars is withdrawn or refused, the condition of the zemindars will be very much worse. The zemindars will not be able to pay land revenue and then the Punjab will be forced to put forward deficit budgets and then later on the Punjab will have to approach the Government for a share of the salt duty produced from the mines in the Punjab and the oil duty produced in Attock.

Sir, I agree with my Honourable friends who have suggested that it would have been much better if the Government instead of bringing a year to year measure had proposed that this little protection should continue till the circumstances are so changed that the duty becomes unnecessary. By having this year to year measure, Sir, the zemindars are kept under suspense and they do not know what is going to happen next year.

With these remarks, Sir, I support the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, the opinions that have been expressed by Honourable Members are so unanimously in favour of this measure that it requires no further justification or defence from me. There are one or two points that have been raised in the course of the debate to which I might refer. It has been urged by several Honourable Members that the time has now come when this measure should no longer be put forward as a temporary measure from year to year but should be made a permanent measure. If the Honourable Members who urge that course on Government could themselves be sure that the disharmony between Indian prices and world prices is a permanent feature, that there would never be any readjustment of the two prices one to the other, then I think there would be some case for making this a permanent measure, but until that is established I consider that the only possible course is to renew the measure from time to time as circumstances warrant the more so as this is a duty which is applied to one of the principal food crops of the north of India, or may I say the North-West so that I may not trench on Bengal. And so long as there is any suspicion that the circumstances justifying the imposition of this duty may cease, so long as there is any hope that there may be a readjustment of those circumstances, then so long it is considered that the Legislature should have the opportunity of reviewing from time to time what may at any moment become a burden on the consumer.

Reference has also been made to railway freights and their effect on wheat prices in India's markets. I am informed by the Honourable the Chief Commissioner of Railways that the question of adjusting freights to the best advantage of agricultural produce is a matter that is continually under the consideration of the Railway Board and such adjustments are made, as in accordance with business principles, will ensure the most satisfactory movement of crops from the producing areas to the marketing centres.

Reference has also been made to the general question of raising the prices of agricultural products other than wheat. The commodity that is in the mind of most of us, I suppose, is rice. As regards rice, I gave the Honourable Sir Kurma Venkata Reddi an assurance some days ago that the question was receiving consideration. My assurance was repeated from the Government benches in the other House and it is hardly necessary for me again to repeat here today that the subject is receiving the consideration of the Government of India.

I think there is no further matter which calls for a reply.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What about the effect of the Anglo-Soviet Agreement?

THE HONOURABLE MR. T. A. STEWART: I must apologise to the Honourable the Leader of the Opposition. I was not aware that he was going to raise the question and I do not know myself what the terms of the Anglo-Soviet Agreement are. Should he desire, I shall do my best to obtain for him the terms of that Agreement.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Thank you. Try to get a copy of the Agreement.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill further to extend the operation of the Wheat (Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

## INDIAN MEDICAL COUNCIL (AMENDMENT) BILL.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, I move:

"That the Bill to amend the Indian Medical Council Act, 1933, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

[Khan Bahadur Mian Sir Fazl-i-Husain.]

The "certain purpose" mentioned here is to rectify the mistake of phraseology in the case of the University of Rangoon. There it is the Board of Studies in Medicine which corresponds to the Medical Faculty of other Universities and it is in order to give appropriate phraseology in the case of the University of Rangoon that it has been found necessary to bring in this Bill.

Sir, I move.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official): Sir, it is a matter for satisfaction that this change in the Indian Medical Council Act has been made. It was a matter of considerable grievance that some of the Universities had not been recognized, nor were their diplomas and qualifications included in Schedule I of the Indian Medical Council Act. So far as the Burma qualifications were concerned, I am glad to say that when the matter was represented to the Bombay Medical Council, that body, after proper investigation, came to the conclusion that the qualifications of the University of Rangoon should be recognized by it. We thereupon approached the Government of Bombay who ordered that the qualifications should be included in our Schedule. Now, Sir, it is to be hoped that as the Indian Medical Council has been established, the qualifications of the Rangoon University will at no distant date be placed upon Schedule I. Two other Universities—Andhra and Patna—are awaiting recognition as it has been laid down in the Indian Medical Council Act of 1933 that soon after the establishment of the Council, and within a certain period, the Council shall investigate the merits of their qualifications. I do hope that this work will soon be taken in hand and the qualifications of these Universities placed upon the Schedule.

Sir, I support the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Mulhanunadau): Sir, I rise to congratulate the Honourable the Leader of the House for bringing in this Bill and rectifying the mistake which, as he said, was committed, and especially because we fear that the Government of India are of opinion that Burma should be separated from India against the wishes of Burma and India. This Bill shows that Government have got a little sympathy and respect for their views and that they will not cut off Burma so far as the medical question is concerned. I hope they will consider again the whole matter and do their best to keep Burma united with India in all other respects too. I therefore welcome this measure and congratulate the Honourable the Leader of the House.

THE HONOURABLE THE PRESIDENT: The Question is:

"That the Bill to amend the Indian Medical Council Act, 1933, for a certain purpose, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

# COTTON TEXTILE INDUSTRY PROTECTION (AMENDMENT) BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I move:

"That the Bill further to amend the Cotton Textile Industry (Protection) Act, 1930, as passed by the Legislative Assembly, be taken into consideration."

Sir, the reasons that prompted the Government of India to put forward this measure are fully set forth in the statement of objects and reasons. There is no need that I should elaborate them further.

Sir, I move.

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadian): Sir, this is a very welcome measure. The real measure which is going to give proper protection to the textile industry will be shortly coming before us. As however that is a very important matter I hope that the Government when the Assembly is considering its reference to Select Committee will see that on that Select Committee this House is adequately represented. I hope the Government will kindly see their way to appointing a Joint Select Committee, so that this important measure may be put before the representatives of both Houses on that Committee.

The Motion was adopted.

# STEEL AND WIRE INDUSTRIES PROTECTION (EXTENDING) BILL.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I move:

"That the Bill to continue for a further period the provisions made by certain Acts for the purpose of fostering and developing the Steel Industry and the Wire and Wire Nail Industry in British India, as passed by the Legislative Assembly, be taken into consideration."

As Honourable Members are aware, the Tariff Board is now engaged in the Statutory enquiry into the further claim of the steel industry in India to further protection. The Board will find it impossible to report before, say, the middle of May, and in these circumstances it would be

[Mr. T. A. Stewart.]

impossible to consider the report of the Board and to introduce into the Legislature any proposals that may be necessary to implement their recommendations before the Simla session. It would be extremely unfortunate if between the end of March and the enactment of such fresh legislation as may be necessary there should be a hiatus in which the continuity of duties should be interrupted. For these reasons, Sir, it is proposed to extend for this period of six months the existing rates of duty.

Sir, I move.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muham-madan): Sir, I rise to support this measure, but with a note of warning. The protection that we have been giving to industries, as I pointed out, ought to be based on scientific methods, and there ought to be the ultimate end in view of freeing the general consumer from the burden of additional taxation. The reason why protection is given, as has been very adequately pointed out by the Fiscal Commission, is that ultimately the cost to the consumer should be brought down. I have before this complained that usually the Tariff Board does not look far ahead and does not give any period for which they think that protection should be given. As the Tariff Board has not submitted its report I wish to draw the attention of the Government, as well as of that body, to the requirement that there should be a specified period for which protection is asked. Protection should not be perpetual. And the second point to which the Tariff Board ought specially to look is what I might call the horizontal construction of the industry, by which I mean the ways in which the costs can be lowered. These are the two requirements which must be looked into. The cost of raw materials, overhead charges, the standing charges for debts, debentures—those are the items which go to make the company a successful undertaking—and they must be looked into if protection is to be of a temporary nature and is to be successful.

Sir, with these words, I support this Motion.

The Motion was adopted.

Clauses 2, 3 and 4 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, there will be no further official business either this week, or so far as we can see next week. As Honourable Members are aware the Council will meet for non-official business tomorrow and on the 12th, 14th and 19th March. The next official business will be the laying on the table of the Finance Bill and this will, it is hoped, take place towards the close of the week opening on Monday, the 19th March.

The Council then adjourned till Eleven of the Clock on Wednesday, the 7th March, 1934.







## COUNCIL OF STATE.

*Wednesday, 7th March, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### QUESTIONS AND ANSWERS.

**PERCENTAGE OF LEAVE RESERVE IN THE CLERICAL ESTABLISHMENTS OF THE INCOME-TAX OFFICE, NEW CUSTOM HOUSE, ACCOUNTANT GENERAL'S OFFICE AND THE POST OFFICE IN BOMBAY.**

**66. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT:** Will Government be pleased to state :

(a) The percentage of leave reserve in the clerical establishments of the following offices in Bombay :

Income-tax Office, New Custom House, Accountant-General's Office and the Post Office ?

(b) Whether there is a disparity in the percentage of leave reserve in the above-cited offices in the case of the ministerial establishment ?

(c) The reasons for such disparity.

(d) Whether in the case of offices where there is a small percentage of leave reserve, the head of the office is authorized to take in substitutes in case the number of absentees on leave exceeds the number of allotted leave reservists ?

**THE HONOURABLE SIR ALAN PARSONS:** The information is being collected and will be furnished to the Honourable Member in due course.

**CLERICAL ESTABLISHMENT OF THE NEW CUSTOM HOUSE, BOMBAY.**

**67. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT:** Will Government be pleased to state :

(a) Whether it is a fact that in the New Custom House, Bombay, there is a department which consists of over 60 clerks and has only one superintendent and no deputy superintendent at all ?

(b) Whether it is a fact that in all other departments of the above Custom House, which consist of about 30 to 40 clerks, there are both a superintendent and a deputy superintendent and in one case, two superintendents and one deputy superintendent ?

**THE HONOURABLE SIR ALAN PARSONS:** (a) and (b). The reply is in the affirmative.

## CENTRAL BOARD OF REVENUE MINISTERIAL OFFICERS' UNION, BOMBAY.

68. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Will Government be pleased to state :

(a) Whether it is a fact that the Union of the Clerical Establishment of the New Custom House, Bombay, had approached Government for a donation from the Customs Sunday and penalty fees, of Rs. 15,000 to enable that body to start schemes such as a library, death benefit, sickness benefit, athletic club, etc.?

(b) Whether Government in reply to the above request intimated to the Union that the want of funds precluded them from sanctioning donations to any new scheme or any new body ?

(c) Whether it is a fact that Government has since donated a substantial sum to the newly started club of wharfingers of the New Custom House, Bombay ?

(d) Whether Government propose to reconsider the request of the above-cited Union of clerical employees ?

THE HONOURABLE SIR ALAN PARSONS: (a) A letter asking for a donation was received from the Central Board of Revenue Ministerial Officers' Union, Bombay. No particular sum was specified.

(b) The Central Board of Revenue replied in the sense described.

(c) No. The institution referred to started without assistance, and such small sums as have been granted to it have been re-appropriated from the grant to another institution of which the wharfingers were beneficiaries.

(d) No.

## EXTENT TO WHICH THE CLERICAL ESTABLISHMENT OF THE NEW CUSTOM HOUSE, BOMBAY, PARTICIPATE IN SPORTS.

69. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Will Government be pleased to say :

(a) Whether it is a fact that out of the donations they annually give from the Sunday fees of the Customs Department to the Customs Athletic Club, Bombay, only a negligible percentage is devoted to sports, etc., in which the clerical staff of the Custom House take part ?

(b) Whether it is a fact that almost all the money donated by Government is spent on sports, etc., in which mostly the preventive officers and wharfingers take part ?

(c) Whether it is a fact that the Union of the Clerical Employees of the New Custom House, Bombay, had approached Government for a donation to start an athletic club for the benefit of the clerical members and that their request has not so far been complied with ?

THE HONOURABLE SIR ALAN PARSONS: (a) Government have no information as to the extent to which the clerical staff participate in sports.

(b) The athletic institution which benefits from the fund is open to all employees of the Custom House.

(c) The Honourable Member is referred to the reply given in answer to part (a) of question No. 68.

**EMPLOYMENT OF SONS AND NEAR RELATIVES OF GOVERNMENT SERVANTS IN GOVERNMENT OFFICES.**

**70. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT :** Will Government be pleased to say :

(a) Whether it is a fact that orders requiring preference to be shown to candidates for employment who are sons or relatives of persons who are or have been employed in the department which the candidate desires to enter were passed in the Posts and Telegraphs Department some years ago ?

(b) Whether Government propose to issue similar orders in the case of other departments ?

**THE HONOURABLE MR. M. G. HALLETT :** (a) Yes.

(b) No.

**ISSUE OF GENERAL ORDERS THAT GRADUATES AND MATRICULATES SHOULD NOT BE GRANTED PAY HIGHER THAN THE PRESCRIBED MINIMA.**

**71. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT :** Will Government be pleased to state :

(a) Whether it is a fact that they have issued orders that in the Income-tax Office, Bombay, graduates and matriculates should be offered the same minimum of the time-scale of pay ?

(b) Whether Government desire to introduce the same principle in all their Bombay offices ?

(c) Whether their object in introducing the above principle is to limit the recruitment of highly qualified men in the offices concerned ?

(d) If the answer to (c) above is in the negative, whether the object of Government is to recruit as many highly qualified men as possible on very low salaries ?

**THE HONOURABLE SIR ALAN PARSONS :** (a) and (b). General orders have been issued that graduates should not be granted initially rates of pay higher than the prescribed minima. These orders apply to all offices under the Central Government.

(c) and (d). No. The scales of pay have been so fixed as to attract men of the requisite qualifications and are considered to be a reasonable return for their services. Government do not therefore consider it necessary to offer more than the minima of the time scales to graduates and matriculates.

**RECRUITMENT OF OTHER PRESIDENCY MEN TO OFFICES IN THE BOMBAY PRESIDENCY.**

**72. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT :** Will Government be pleased to state :

(a) Whether it is a fact that there are orders passed by the Director General of Posts and Telegraphs directing the recruiting officers to recruit in the offices under their control, men from the places in the presidency in which the offices are situated and as far as possible not from other presidencies ?

(b) Whether it is a fact that the Local Government of Bombay have also issued orders to their officers not to recruit men who belong to presidencies other than Bombay so long as qualified Bombay men are available ?

(c) Whether it is a fact that there are now-a-days quite a large number of unemployed Bombay men duly qualified, available for employment in the Bombay offices of the Government of India ?

(d) Whether it is a fact that there are now-a-days a large number of Madras recruits entertained in the New Custom House, Bombay, who are in no way more qualified than available Bombay men ?

(e) Whether Government propose to discourage recruitment of other presidency men in the offices under their control in the Bombay Presidency ?

THE HONOURABLE MR. M. G. HALLETT: (a) The fact is substantially as stated by the Honourable Member.

(c) I have no definite information in the matter but I am prepared to accept the Honourable Member's statement.

(b), (d) and (e). I am making enquiries and will lay a statement on the table in due course.

NUMBER OF INCOME-TAX OFFICERS AND ASSISTANT INCOME-TAX OFFICERS APPOINTED IN THE INCOME-TAX OFFICE, BOMBAY, DURING THE LAST THREE YEARS.

73. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Will Government be pleased to state: .

(a) The number of Income-tax Officers and Assistant Income-tax Officers, both permanent and temporary, appointed during the last three years in the Income-tax Office, Bombay ?

(b) How many of the above are Parsis, Hindus, Muslims and others ?

(c) Whether there is any standard of educational qualifications prescribed for recruitment to the above cadres ?

(d) Whether the persons referred to in (a) above are all in conformity with the prescribed standard ?

(e) If not, how many of them do not come up to the standard ?

THE HONOURABLE SIR ALAN PARSONS: (a) Thirty-five.

(b) Six Parsis, 23 Hindus, five Muslims and one Jew.

(c) No. The appointments are practically always filled by the promotion of Income-tax Inspectors and Examiners of Accounts. The remaining portions of the question consequently do not arise.

NUMBER OF INSPECTORS AND EXAMINERS IN THE INCOME-TAX OFFICE, BOMBAY.

74. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Will Government be pleased to state:

(a) The number of inspectors and examiners, both permanent and temporary, in the Income-tax Office, Bombay ?

(b) The number of total recruits to the above cadres during the last three years together with the number of direct recruits and of persons recruited from the ministerial line ?

(c) How many of the above were Hindus, Muslims, Parsis and others ?

(d) Whether there are any principles governing the above recruitment, both direct and indirect ?

THE HONOURABLE SIR ALAN PARSONS: (a) Eighty-one.

(b) Forty-one. Twenty-two were direct recruits, eleven were promoted from the ministerial, six from non-ministerial staff and two were transferred from other Government departments.

(c) Twenty-three Hindus, nine Muslims, eight Parsis and one belonging to some other community.

(d) No one is appointed permanently to any of the above posts unless he passes the prescribed departmental test within the prescribed time. As regards selection of men who are to be allowed to appear for this test, in the case of direct recruits, educational qualifications, including accountancy qualifications, if any, aptitude to do the work to be done, status in life and all other factors likely to make the candidate a success in the department are taken into account. As regards men recruited by promotion, merit as shown by past service and educational qualifications are taken into account. Men who are Incorporated Accountants or Government Certified Auditors are exempted from passing the above test.

GRANT OF COMPENSATORY ALLOWANCES TO INCOME-TAX OFFICERS AND ASSISTANT INCOME-TAX OFFICERS IN BOMBAY CITY.

75. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT: Will Government be pleased to say :

(a) Whether it is a fact that a certain amount of compensatory allowance is granted every month to Income-tax Officers and Assistant Income-Tax Officers in Bombay City ?

(b) Whether the compensatory allowance is sanctioned to compensate them for the abnormal rate of house rent in Bombay ?

(c) Whether it is a fact that Government expect their employees to contribute to house-rent, up to ten per cent. of their pay and that the compensation is intended to cover any amount in excess of the above ten per cent. ?

(d) Whether the scale of accommodation of these two classes of officers is approved by any superior officer and whether any enquiries are conducted as to the veracity of the statements of these officers ?

(e) Whether it is a fact that there is a very large number of development blocks available where all the Government officers who draw compensatory allowances could be accommodated in Bombay City ?

THE HONOURABLE SIR ALAN PARSONS: (a) Yes.

(b) No. The Bombay Government rules which govern the grant of compensatory allowance do not state that the allowance is granted to compensate officers for the abnormal rate of house rent in Bombay City ; and this must be taken to be only one of the elements that has led to the grant of the allowance.

(c) The answer to the first part of the question is, generally speaking, in the affirmative. As already stated, the compensatory allowance is only partially intended to cover excessive payments of house-rent.

(d) No. The Local Government's rules make no provision for such enquiries.

(e) The Government of India have received no information to this effect.

### RESOLUTION *RE* RECRUITMENT TO THE INDIAN MEDICAL SERVICE.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadian) : Sir, I beg to move the following Resolution :

"This Council recommends to the Governor General in Council that recruitment to the Indian Medical Service should in future be made by means of an open competitive examination to be held simultaneously in India and England."

Sir, as the House must have known from my interpellations on the subject yesterday, recruitment to the Indian Medical Service used to be made from 1855 by means of a competitive examination held in England until the system was discontinued in 1915 after having remained in vogue for over 60 years. The reasons given yesterday by the Government for the abolition of that system were lack of competition and because it was considered that the system of selection by interview gave better results. But formerly it was believed that the examination had been temporarily discontinued purely as a war measure because it was at that time necessary to obtain quick and rapid recruitment. Now, the existing method of recruitment to the Indian Medical Service is by selection committees held in England and in India who recommend candidates for appointment by the Secretary of State on the basis of 66½ and 33½ per cent. recruitment of British and Indians, respectively. Sir, the closeness with which the rights of the Committee which selects candidates in India have been reserved will be apparent to Honourable Members when I mention that, so far as my information goes, Government have refused to give to the Public Service Commission the right of making or suggesting recruits for these nominations. It is well known that the system so far followed for recruitment to the Indian Medical Service has caused intense dissatisfaction in India for reasons which I will presently give. The established policy of the selection committee and the Government of India seems to be, when dealing with candidates for this service, to accept mainly British qualifications. However high an Indian may have risen in the examination instituted by Indian Universities, he has got to go to England, not for the purpose of acquiring more expert or technical knowledge but for the purpose of getting a qualification registrable in the United Kingdom, without which he may not be able to compete for this examination. Now, the House can imagine the great hardships to which the middle class population of India are put. However intellectual and bright a young man may be, he has first of all to find money to go to England. Secondly, he has to go and compete in a foreign language, the difficulty of which only those can understand who for purposes of their bread and butter have to use that language from day to day. Thirdly, he has to compete with British candidates on their own ground—very often with a few months' preparation after arrival in England. Yet Indian candidates distinguished themselves creditably in spite of these handicaps of travelling expense and language. But then the ratio of recruitment of Indians and Europeans was fixed at 1 to 2. The result of this has naturally been that European candidates of poor qualifications have been introduced into the Service. In 1914, when one of the last examinations for recruitment

to the Service was held in England I understand that Indians secured 50 per cent. of the places. This was the result of the competitive examination held in one of the last years. The examination was becoming increasingly popular in consequence of that and there was a good deal of hope created in the middle classes of India. Sir, it may interest Honourable Members to hear some figures which go to show how popular the examination was. I speak subject to correction.

Year.	No. of vacancies filled in.	No. of successful Indians.	Percentage.
1910 . . . .	28	5	18
1911 . . . .	26	5	19
1912 . . . .	24	4	17
1913 . . . .	24	9	37
1914 . . . .	35	17	50
1915 . . . .	7	(2 domiciled Europeans). 3	43

Thus the percentage secured by Indians which began with 18 and 19, rose up to 50, and in the last year of that period it was 43. Now, if we compare these figures with the percentage of Indians let in by the door of nomination, we find as follows :

Year.	Total No. of recruits.	Indians.	Europeans.	Percentage of Indians.
1923 . . . .	19	..	19	..
1924 . . . .	8	..	8	..
1925 . . . .	18	8	10	42
1926 . . . .	13	3	10	23
1927 . . . .	20	8	12	40
1928 . . . .	24	..	24	..

Totalling up these figures we find that out of 102 total recruits taken from 1923 to 1928, for which period I could get figures, only 18 per cent. Indians could get through. This is the result of the system of nomination.

Now, Sir, as the House is aware, recruitment to such an important service as the Indian Civil Service which is one of the most important of all-India services, is made these days by competitive examinations held simultaneously in India and in England supplemented by nominations, and on the basis of 50 : 50 per cent. recruitment of Europeans and Indians, respectively. It does not therefore stand to reason that recruitment to the Indian Medical Service should continue to be a sort of preserve, and there is absolutely no reason why it should not be made by means of similar open competitive examinations held simultaneously in England and India except perhaps that the Indian Medical Service is of a *quasi*-military character and partakes of the nature and characteristics of that hush-hush secrecy which obtains in the Military Department of this country.

One result of the present policy of recruitment to the Indian Medical Service has been that as compared to 403 Europeans with permanent commissions in the Service at the present day, only 214 are Indians : or in



[Rai Bahadur Lala Jagdish Prasad.]

other words Indians form about one-third of the total cadre; whereas in the case of the Indian Civil Service it is expected that in about five years hence Indians will form 50 per cent. of the total cadre. And the House will doubtless agree with me that the Indian Civil Service is by no means a less important all-India service than the Indian Medical Service.

Sir, when the Islington Commission visited India as far back as 1913, the Bombay Medical Union recommended to that body a thorough reorganization of the Indian Medical Service and urged that the time had arrived to split up that old and time-worn service into two distinct branches, military and civil, recruitment to both being made, as in the case of the Indian Civil Service, by competitive examinations held simultaneously in the United Kingdom and in India, and open to both British and Indian candidates, without distinction of caste or creed. Twenty long years have passed since this representation was made but we are still where we were.

Then, Sir, a Resolution similar to the one just before the House, was adopted by the Legislative Assembly in 1930 and in replying to the Motion on that occasion the Army Secretary admitted that the present position was *prima facie* unsatisfactory and obviously required examination. But no action has so far been taken to improve on the present position although four years have since passed.

Indian public opinion has long been demanding that the civil and military sections of the Medical Service should be separated so that the medical requirements of the country may be better looked after which is impossible under the present arrangement under which the military has the first claim on the services of the Indian Medical Service, the civil population having to be content with the surplus of the army's requirements, whereas the needs of the civil population which number 350 millions require that its medical organization should be stable, that it should have continuity and uniformity of policy on problems which it has to face. But all protests and requests to put an end to the present combination of the two services, which exists in no other part of the world, have been unavailing. The other demand of public opinion has been that the competitive examination for recruitment to the Indian Medical Service should be reopened and held in India, and that the process of Indianization which is making very slow progress should be speeded up. In December last, the All-India Medical Conference in its session held at Bombay passed a resolution that the competitive examination should be held in India only. So, Sir, the least that can be acceptable to Indian public opinion as a compromise would be that recruitment to this Service should be by competitive examination held simultaneously in England and in India. And I am suggesting only this in my Resolution. I do not for a moment mean to suggest that the standard of efficiency should be lowered. It is open to the Government side by side with deciding to hold a competitive examination to fix a high standard for candidates seeking admission to the Service so that there may be no chance of any one but the most efficient men getting into the Service. Then, the Government can, if they so desire, also prescribe for the time being that a certain percentage of recruitment, say one-third, will be reserved for Europeans. But, Sir, the present ratio of two Europeans to one Indian is, I submit, totally unfair to Indians, for even in the case of recruitment to that important all-India service, I mean the Indian Civil Service, the ratio of European and Indian candidates is 50 : 50. Surely, a policy of speedy Indianization of the Indian Medical Service should be courageously pursued and the method of recruitment changed to that of competitive examinations

conducted simultaneously in both the countries, so that Indians may have a fair chance of competing with Europeans. This, Sir, is the minimum that can be acceptable to public opinion in this country. I think, Sir, that I am by no means making an unreasonable demand in bringing forward this Resolution, and I hope that the reasonableness of the proposal will commend itself to this Honourable House.

Sir, I move.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official): Sir, the Honourable mover has quoted the percentages in the present strength of the Indian Medical Service as given by His Excellency the Commander-in-Chief the other day. On looking over the Army List of last October, I find that it is divisible into two sections, namely, the pre-war officers now serving and the post-war officers who have been recruited by selection since 1915. It appears that the ratio in the former was 73·8 per cent. among Europeans as compared with 26·2 per cent. in Indians. Since the system of selection was introduced, we find that there are 246 Europeans and 154 Indians serving at present. This gives the ratio of 61·5 per cent. Europeans and 38·5 per cent. Indians. It is therefore slightly higher than the ratio of 2 to 1 adopted by the Secretary of State on the recommendation of the Lee Commission. Sir, Mr. Jayakar moved a similar Resolution in the other House some years ago, and as the Honourable mover has said, no action has been taken over the matter and it remains a dead letter up to this day. He has been good enough to refer to the work of the Bombay Medical Union in this connection. As one of the active members of that body I may inform the House that this subject of recruitment to the Indian Medical Service has been under its serious consideration for years now. In fact, its history extends to over a period of 40 years. This question was considered by the Welby Commission of 1896, when the Union sent a representative to give evidence on the subject of the reorganization of the Medical Service and the economy that would result therefrom; then by the Universities Commission of 1902, the Islington Commission of 1913-14, the Verney Lovett Committee of 1918 and the Lee Commission of 1920. Memoranda and oral evidence were tendered before these bodies. I had the honour to represent the Bombay Medical Union before the Verney Lovett Committee and to submit a fourth scheme which was a modification of the three schemes that had been sent to us for opinion by the Committee. I had so justly and fairly framed my scheme that, when I went up for oral examination, Sir Verney Lovett told me that my scheme was so complete that he had no questions to ask. (Applause.) Once again, when Lord Morley was Secretary of State for India, the Union approached him. He propounded several changes in the reorganization of the Service, but unfortunately the British Medical Association, as usual, which had and has the interests of the British officers at heart and not those of their Indian colleagues, intervened, with the result that when Lord Morley resigned, all that he had practically resolved upon and announced was set aside by his successors. Numerous representations from the Union and other medical and political bodies have been presented from time to time but with no result. The latest discussion on the subject was the examination of the Secretary of State for India before the Joint Parliamentary Committee. Mr. Jayakar put several questions but Sir Samuel Hoare adhered firmly to the three sections in which he said that the Indian Medical Service has to be divided: viz., the Army Service, the War Reserve and attendance upon the Civil Service and civil officers of Government and their families. The Army Service is no doubt essential and more and more Indian officers are now being

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

assigned to the branch. Sir, the War Reserve of the Indian Medical Service, whatever it was during the Great War, broke down, and were it not for the fact that between 1,100 and 1,200 Indian medical men volunteered for all spheres of activities, there would have been no Reserve to speak of. These officers with temporary Commissions rendered very good service. I am happy to say that I was one of the recruiting officers for Sir Pardey Lukis, the then Director General of the Indian Medical Service. I recruited a large number of men for the purpose. They did their work very well. The duties of the Indian Medical Service officers in civil employ who were released for the war were taken over by the civil assistant surgeons, who fulfilled the expectations that were held of them; Major-General Lyons, the then Surgeon-General at Bombay, reported that the work that had been done by them had been excellent.

Sir, with regard to attendance on officers and their families, may I say that the Indian officers of the Indian Medical Service are not savages; nor are they uncouth or ill-bred. By constant association with British officers they have become almost Anglicized; so much so that their own kith and kin look upon them with suspicion as being more English than Indian. I believe that the time has now come when this spirit of exclusiveness should be abandoned and the repugnance ceased. In the large cities, like Bombay, Madras, Calcutta, etc., any number of Government officers and their families freely consult Indian practitioners and consultants and do not consider it *infra dig.*

Then, Sir, reverting again to the War Reserve, I think that it should be created from the cadre of the medical section of the Army in India Reserve of Officers and that the number should be at least 2,000. Surely, any number of young and enthusiastic men will be willing to join. Is it not surprising, Sir, that all those men, who volunteered during the Great War were taken from civil life and had no idea of the army and yet they should have come out so well. In the early days Government had no time to devise a scheme for even preliminary training before drafting them for field service. The Lee Commission's quota is not like the laws of the Medes and Persians and the time has come when the Secretary of State should revise it. I do hope that the Joint Committee will do something to remedy the grievance created by the present system of selection. A competitive simultaneous examination is necessary, even though the quota may be kept up, in order to secure the best and most efficient men. May I add, Sir, that my views are not dictated by any racial antagonism. I had the most cordial relations with the officers of the Indian Medical Service with whom I have worked for a number of years, I base my views for the sake of economy and justice to India and India's sons who ask for a fair field and no favour.

There is no doubt that for years to come we shall require a good leaven of Europeans in India whether in the Indian Medical Service or in the Indian Civil Service. As we know, a little leaven leaveneth the whole mass. The only criterion should therefore be the highest qualifications of the officers, their competency. I do not believe that through the system of selection it is possible to judge their ability. This subject has been one of the main principles of my lifetime and I cannot throw it overboard. I therefore support the Resolution which has been moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad. Sir, only yesterday, in the other House, this very question was raised. The Army Secretary said that they did not want to face another breakdown in medical arrangements as happened in the last war.

The whole question was under consideration. It might be that some re-organization of the medical services was required. I think, Sir, that if a large reserve is recruited as suggested above there will be no difficulty in getting the proper kind of men to serve in the war reserve.

With these remarks, Sir, I beg to support the Resolution which has been moved by my Honourable friend.

THE HONOURABLE SAIYID RAZA ALI (United Provinces: Nominated Non-Official): Sir, the Resolution moved by the Honourable Lala Jagdish Prasad is concerned, as the terms of the Resolution show, with the method of recruitment rather than with the percentages assigned to Indians and Europeans in the Indian Medical Service. I was wondering whether he considered the question of the method of recruitment so very important that he prescribed a particular method for it. But listening to his speech patiently as I did, it now transpires that on the whole the method of recruitment is only, if I understood him correctly, a secondary object, his main object being the acceleration of Indianization in the Indian Medical Service. So far as the acceleration of Indianization is concerned, I may at once point out that though in the case of the Indian Civil Service efforts were made by political leaders in India from 1890 onwards for recruitment by examinations held simultaneously in India and in England, the object of the political leaders was that by that method it would be possible for more Indians to enter the imperial services. In fact, looking to the paucity of Indians in the imperial services in those days, it was expected that by holding examinations simultaneously in India and in England more Indians would be able to join the imperial services than was the case at that time. No doubt that was a very strong consideration which influenced the public men of those days. But may I put it to the House that conditions have changed very considerably since. Proportions for the two races, as was pointed out by the Honourable mover, have been laid down now, two-thirds of the recruitment going to Europeans and one-third to Indians. That being so, it would seem that the very object of holding an examination simultaneously in India and in England has been achieved by the fixation of these percentages and it is no longer necessary really, if those percentages are to be maintained, to have simultaneous examinations. As a matter of fact, simultaneous examinations for that purpose today would be an anachronism if the present percentages are to be adhered to.

Now, Sir, I will come to the main part of the Resolution, namely, that the mover seems to think that simultaneous examinations in India and in England are the be-all and end-all of Indian political aspirations and ambitions. May I just invite his attention to a few considerations which would make it quite clear that, however, laudable may be the object of my Honourable friend, it is impossible to have the same examination at the same time in both countries and to co-ordinate the results in such a manner as to introduce uniformity of standard. Let me make my point quite clear. I would invite the attention of my friend to the fact that in all likelihood these simultaneous examinations would consist of two parts, one of which would be theoretical and the other practical. It may be possible to have one list for candidates taking the theoretical examination in India and in England, though the examination of a very large number of candidates would not be free from difficulty. But when we come to the practical side of the examination we find that his scheme breaks down altogether. It would not bear scrutiny. As I have already hinted, it is of the utmost importance for a competitive examination to work successfully that

[Saiyid Raza Ali.]

you should inspire confidence in the candidates. You must have the entire confidence of the candidates. Now, separated as India is by 5,000 miles of sea from England, it follows that if you are to conduct your practical examination of the Indian Medical Service candidates you will have to employ two sets of examiners, one conducting the practical examination of your candidates in India and the other in England. Take the case of two candidates who are very nearly of about the same merit. Is it at all unlikely that one candidate whose paper is marked 60 by an examiner in India is not in any way superior to another candidate whose answer book is marked by an examiner in England at, we will say, 48 or 47, or it may be 57 or 58. It does not matter what figures you take. The point is, Sir, that in the case of a practical examination it would be absolutely impossible to attempt anything like uniformity of standard and unless you do that you cannot have your examination simultaneously in India and in England. Any suspicion in the mind of your candidates that the two standards differ would lead to disaster and would give a death blow to your simultaneous examinations even if the scheme is carried through. These, Sir, are practical difficulties.

I hope the House will excuse me if I refer to what I, along with my colleagues, did when I was a member of the Public Service Commission. In order to have uniformity of standard the Public Service Commission attached in my time—and I understand they still attach—the utmost importance to all the candidates in one subject being examined by one examiner, or by one committee. A committee of the Public Service Commission, as perhaps is known to Honourable Members, generally consists of three persons, two of whom usually are Members of the Commission and the third is either an expert or an outsider. That was so in my time and I believe it is the same at present. Candidates took certain examinations and their number at times exceeded 200; yet the Public Service Commission made it a point that the same Committee must interview all those 200 candidates and over so that the standard by which they judged the merits of these various candidates should be uniform and not dissimilar. As I have pointed out, this is supported by the experience of the Public Service Commission in the case of a theoretical examination for a service like the Indian Civil Service or the Indian Audit and Accounts Service. Much more important would be this consideration when you conduct the practical examination in two different countries. If my Honourable friend would consider the question, he would find that it is simply not possible to have one examination in two countries at the same time without doing very great injustice to your candidates. Now, Sir, my learned friend made a few remarks——

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Then abolish the examination for the Indian Civil Service in this country.

THE HONOURABLE SIR KURMA VENKATA REDDI: By all means let it be done.

THE HONOURABLE SAIYID RAZA ALI: My Honourable friend has consciously or unconsciously—I hope consciously—referred to a very important question, namely, the abolition of the Indian Civil Service examination in this country. I do not want really to make a digression, but I may be permitted to invite the attention of the House to the very important fact that the circumstances in which the Indian Civil Service examination is conducted are becoming more and more complicated. In fact the time is coming when Indian public

opinion itself might demand that the door of entry to Indian candidates in England should be closed and that the examination in England should be open to Englishmen alone and that in India open to Indians only. The time at my disposal will not allow me to dwell at any considerable length on this phase of the question. Anyway, my Honourable friend will find, if he studies the results of the Indian Civil Service examination carefully, that the position is becoming extremely difficult. Now, Sir, so much for the interjection of my Honourable friend.

Now, coming to some other considerations involved in the Resolution of my Honourable friend, he would see that if his scheme were accepted the door of entry in England would in all likelihood have to be closed to Indians. Indians would I suppose take the examination in India leaving Englishmen to compete at the examination in England. If really that came about, I should think that would be detrimental, most detrimental, to the best interests of the country, as that would discourage young men from proceeding to Europe and availing themselves of European education. On the other hand, if he wanted to have it both ways, namely, if he wanted to let Indian students take the examination in India as also in England, I am afraid that is a position which would arouse resentment in England and I doubt whether it would not be unfair that India should get advantages both ways.

Sir, my Honourable friend in the course of his speech said something about—

**THE HONOURABLE THE PRESIDENT:** The Honourable Member has already exceeded his time limit.

**THE HONOURABLE SAIYID RAZA ALI:** I am sorry, Sir. I have perhaps spoken at very considerable length. I propose to bring my remarks to a close in four minutes' time. My Honourable friend pointed out that the selection committee that is charged with the selection of candidates mainly prefers British qualifications. May I point out to him that I was on that selection board which interviewed candidates for the Indian Medical Service for two years and I would refer him to the results for the years 1930 and 1931, from which he will see that the Selection Committee in India selected a fairly large number of candidates who possessed no British qualifications whatsoever and whose qualifications were purely Indian?

**THE HONOURABLE MR. HOSSAIN IMAM:** It is an old story, Sir.

**THE HONOURABLE SAIYID RAZA ALI:** The interruption is very timely. May I inform my learned friend that since the 1931 selection board on which I sat there has been, as far as I know, no recruitment made for the Indian Medical Service? Will that satisfy my Honourable friend? There was no recruitment in 1932 and 1933.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY:** I am afraid he will find in the Army List of October, 1933 that there has been recruitment in 1932 and 1933.

**THE HONOURABLE THE PRESIDENT:** The Honourable Member must conclude his remarks.

**THE HONOURABLE SAIYID RAZA ALI:** I will just bring my remarks to a close, and my submission is, Sir, that the selection board carries out its duties in a manner which, if the Honourable Members of this House knew, I believe

[Saiyid Raza Ali.]

would make them contented. It is not for me, Sir, to point out as to what is done, but very great care is taken to see that only competent candidates are appointed and at the interview important questions are put to these candidates. The number of candidates is very large, but very great discretion is used and sufficient time is devoted to each candidate at the interview in order to find out whether he is suitable for employment. In the end, Sir, I would say that there are certain branches of the public service where recruitment by open competitive examination will never do, one of which, Sir, I may be permitted to say, is the Indian Police Service, and the other and even more so is the Indian Medical Service.

THE HONOURABLE MAJOR-GENERAL C. A. SPRAWSON (Government of India : Nominated Official): Sir, in asking that entry to the Indian Medical Service should be by an open competitive examination, the Honourable mover is making two distinct requests which I will deal with separately. He is asking that there should be a competitive examination and he asks that it should be open.

To deal with the latter part first : subject to certain restrictions of age and qualification, entry is open save only for the limitation of this 2 to 1 ratio that we have heard so much about. The army is compelled to insist on that proportion, has been compelled to insist on it for years and if His Excellency the Army Member were here he would tell you, as he has told me, that he sees at present no chance of recommending an alteration of that proportion. This 2 to 1 ratio was laid down by the Secretary of State. It is subject to reconsideration ; but there is no indication that the time has yet come for recommending a change in that proportion. Doubtless, as Indianization of the army proceeds, as the proportion of British officers in the Indian Army gets less, the Indian Medical Service must alter its ratio to suit the army. Similarly on the civil side there are reasons why this 2 to 1 ratio exists, reasons subsidiary to the army reasons. There are several Indian Medical Service officers under Local Governments. These form the Army Reserve. When the army recalls its officers on mobilization it recalls them in that proportion, two British to one Indian. Therefore, that 2 to 1 proportion is required for these officers in the civil, forming this Army Reserve. These British officers are used by Local Governments for attendance on British officers and families of the other civil services and so, as these other civil services become more Indianized, similarly the Indian Medical Service that is in civil will also become more Indianized in proportion. Also, as gradually the non-reserved posts, what we call technically the Schedule II posts, become vacated, as they gradually become vacated in course of time, because they are not reserved for the Indian Medical Service so also will the proportion of Indian officers in civil increase. I maintain also that Indianization of the Indian Medical Service has advanced *pari passu*, at least to an equal extent with those of the other superior services. The actual ratio in practice is not even this 2 to 1 ratio. I find on taking the total of all officers including those with temporary commissions, that the actual ratio now works out to 1·7 British to 1 Indian, and that, I submit, is about equal to the Indianization of other services. I have not been able to follow the Honourable mover through all the numerous figures he quoted. I am not prepared to say that they are wrong, but on the other hand I am not prepared to accept them, because my own figures show me something quite different. The Honourable Member quoted many figures of entry in recent years into the Indian Medical Service with the deduction that the percentage was not up to the proportion given. Now, in the last 14 years there have been 260 British and 167 Indians

entering the Indian Medical Service. A little arithmetic will show that the Indian figures there are above the 1 to 2 proportion. At any rate, the Honourable mover is surely mistaken in another statement when he says that it is necessary for officers to go to England in order to qualify for entry into the Indian Medical Service. That is not so. My figures show me that during the last 14 years no less than 55 Indian officers with purely Indian qualifications have entered the Indian Medical Service. It is obvious that if we have Indian candidates for the Indian Medical Service who have higher British qualifications, not necessarily additional qualifications from Great Britain, but higher qualifications such as a Fellowship of the College of Surgeons or a Membership of the College of Physicians, it is obvious that the possession of such a qualification gives them a prior claim and they are likely to be selected.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : May I ask what has been the percentage of these people during the last five years ?

THE HONOURABLE MAJOR-GENERAL C. A. SPRAWSON : I can give you the actual figures ; I cannot give you the percentage. In 1931, three officers of purely Indian qualifications, in 1932 one, in 1933 one.

Now, as regards the second part of the request, namely, that the entry be by competitive examination, I maintain that entry is by competitive examination. Not perhaps the type of examination the Honourable mover means. I presume he means an examination where the candidates sit down at a desk and write answers to professional questions, questions on professional matters. Now, the long and arduous career of a medical student (six years at least) is punctuated with examinations of that type. So much so, that it is now considered that he is in danger of becoming an examination-wallah. We do not wish to inflict another examination of that type. In fact, it is not necessary because the Board that considers the entry of these candidates can have before them—the facts are furnished to them—the marks the student obtained, the percentage he got at the various examinations, and his general record. It is not only not necessary, but not desirable that we should have another examination like those. Let me tell the House how this Selection Board works. The Selection Board interview all candidates for the Medical Service. I speak of Indian candidates—there is a similar Board in England of which I cannot speak with such direct knowledge—but here in India the Board consists of the Director General, Indian Medical Service, the Director of Medical Services of the Army, an Indian officer of the Indian Medical Service, usually a retired officer, and a member of the Public Services Commission. If the Indian Medical Service officer is a Hindu, it usually happens that the other gentleman is a Muhammadan. This Board meets, interviews the candidates, studies their professional record (it can have all their examination marks put before it), it sees the man's qualifications, what appointments he has held ; it can also have his record at college, with reports on his conduct from his principal during the whole time he has been at his college under observation for six years. It sees his examination marks that he has got throughout his career, and what is of great importance his athletic record. Occasionally also, my predecessor did submit candidates to a written examination. General Megaw told me he had done that on occasion when he thought it necessary. The Board notices the general appearance of the candidate,—of course he has to pass the physical examination—and from these facts and from his athletic record tries to form an estimate of his character ; in other words, tries to estimate whether he possesses the qualities that go to make an officer. I submit you cannot obtain



[Major-General C. A. Sprawson.]

all this information from a mere sit-down-and-write-at-a-desk type of examination. Well, perhaps, the best proof that this is the best method has been in our results. I claim that we are now getting a better Indian personnel into the Indian Medical Service than we had before. I have asked the Director of Medical Services about it and he tells me that the young Indian officers who are coming into the Service are exceptionally good and I agree with him. The Director of Medical Services is satisfied that they make good officers and I, as Director General of the Indian Medical Service, am satisfied that they are excellent doctors. They are as good as we can possibly hope to get. These young Indian officers that the Indian Medical Service are now getting, the Indian Medical Service is not only glad to receive them, but they are human material of which the country may well be proud. I do not say that there is an unlimited supply of this good and first class material, but there is enough to supply our demands and I would ask the House not to change the present form of selection or examination, whichever you choose to call it, by which we obtain such a good class of Indian officer.

One more point, Sir, and I have finished. I submit also that the present time for such a Motion as this is inopportune. I am sure the Honourable mover did not realize that when he spoke. 12 NOON. The whole future of the Indian Medical Service is uncertain. It is a matter of discussion at the present moment. A study of the White Paper, the last public document that concerns the subject, will show that a purely military Indian Medical Service has been envisaged. Even assuming for the time that such a service is possible—it may be a matter of doubt, but assuming it—such a service would so change the nature of the present Service and would lessen its attractions that it might then be time, if that scheme is accepted, to consider different methods of recruitment. It is necessary to decide first what sort of service we are going to have before we try to settle how we are going to fill the ranks. I suggest, therefore, that this Motion may well be reserved until the future of the Indian Medical Service as a whole has been decided. Otherwise, I should be compelled to oppose any Motion that would tend to change the present method of entry into the Indian Medical Service.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, if I rise to support this Motion, it is more to ventilate some other grievances than those that have already been referred to. My first objection to the present method of selection of the Indian Medical Service officer is that although the selection is made in India, it is an irony of fate that the qualifications given by Indian Medical Universities now are not recognized. A man to be eligible for service in the Indian Medical Service must have a degree registrable in England—

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : That is not correct.

THE HONOURABLE MR. HOSSAIN IMAM : At least it was correct till the passage of your Medical Council Bill.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : No, no.

THE HONOURABLE MR. HOSSAIN IMAM : At the present moment the glowing picture which has been painted by the Director General of the Indian

Medical Service refers to those having temporary commissions. These are mostly officers of the assistant surgeon class who are taken into the superior service of the Indian Medical Service as in the case of the Indian Civil Service. These go to swell the number of Indian officers. It is not in the direct recruitment in which the numbers should have gone up. It will be remembered, Sir, that in the Indian Civil Service, the expression 50 : 50 recruitment is meant to refer to initial recruitment and not to the recruitment which is made from the existing service. Our objection is that even this proportion of 2 to 1 is not observed in the initial recruitment, and the best proof of this is the figures given by the Honourable the Director General and the figures of Indians recruited in the last two years. That shows how this order is not being observed in the spirit.

It has also been said that as this matter is under consideration, it is premature now to discuss it. In the White Paper, at the end of paragraph 72, it is said that the question of continued recruitment by the Secretary of State to the Indian Medical Service is under examination and His Majesty's Government hope to submit a recommendation on this matter later to the Joint Select Committee. The Joint Select Committee sat, and the Indian delegation went there. We had expected that this report would have seen the light of day, but it is still a secret document to this day, and it cannot, perhaps, stand the light of day. Sir, our complaint that Indianization in the Indian Medical Service is not going rapidly enough is based on the fact that if one principle is accepted by the Government for a security service like the Indian Civil Service, we think that the same should be carried out in all other public services, as the Indian Civil Service is the most important Service under the Crown. The objection of Europeans to being treated by Indians has already been referred to by the Gallant Knight from Bombay and I need not dilate upon it. My Honourable colleague, the ex-member of the Public Service Commission, was rather very vehement on the disadvantages of having simultaneous examinations in two places and he stated that it will be some sort of injustice, that people might get appointed if the examiners are lenient in one place, and other people with the same qualifications may not get in. That is strange, coming from an ex-member of the Public Service Commission. At the moment we are having simultaneous examinations for the Indian Civil Service—

THE HONOURABLE SAIYID RAZA ALI : No, we are not.

THE HONOURABLE MR. HOSSAIN IMAM : My Honourable friend the mover meant by simultaneous examination the same type of examination as we are having for the Indian Civil Service.

THE HONOURABLE SAIYID RAZA ALI : He should lend me his dictionary in that case !

THE HONOURABLE MR. HOSSAIN IMAM : At the moment, Sir, we have got practical and oral examination in the Indian Medical Service. It would not be hard if we had the examination in two places. If the quota of Indians is not available in India, then it will be filled up from England, and if the quota of Europeans is not available in England, then it can be filled up from India. This is exactly what my Honourable friend probably meant. On that understanding, Sir, I am ready to support his Resolution. There is no doubt that the idea of everything being done by competitive examination may

[Mr. Hossain Imam.]

not appeal to the entire public in India. There is a personal element which counts, and it is for this reason that even in the competitive examinations which we are now holding, a number of posts are reserved for nomination, so that people who may not have the academic qualifications may for other reasons be given preference. My Honourable friend has taken no objection to that method which is being at present followed in India, and therefore the argument that by competitive examination, only book worms will come in and people who are sportsmen will not find a place does not hold good. In the Indian Police Service too we might be tempted to suggest some modifications, but as we are dealing with the Indian Medical Service, I wholeheartedly support the Resolution and hope the House will look at it with favour.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member) : I wish to intervene for a moment, Sir, just to explain to the House the reason why this Resolution is not being dealt with by His Excellency the Commander-in-Chief who was to have dealt with it. He studied the subject very thoroughly ; he takes keen interest in it, and as a matter of fact he had prepared this subject very thoroughly when it was put down for discussion once or twice before. But for some reason or other it was not taken up and therefore all that preparation by His Excellency the Commander-in-Chief for the time being went waste. Since the last two days His Excellency has been indisposed and it has been impossible for him to be present here today. He asked me, Sir, to express his regret to you and to the Council for this very unavoidable absence of his. Further he asked me to say that he had fully instructed General Sprawson himself so that he may place his points of view before the Council. The Council has no doubt already listened to the very carefully prepared speech of General Sprawson.

There is just one more point I wish to make and it is that two speakers have stated that medical men with purely Indian qualifications are not eligible for the Indian Medical Service. This I am afraid is a mistake, and so I have pointed it out. As to the rest, whether the Council should proceed with further discussion or withdraw the Resolution or do anything else, I have no doubt the Honourable mover of the Resolution will give very careful consideration to this matter. As has been stated by General Sprawson, he is not prepared to accept the Resolution. He can not. Whether any useful purpose is to be served by proceeding with the debate it is for the mover himself to decide. I, for one, can assure him of one thing, and it is that if it would meet his wishes I will see that the debate on his Resolution is definitely and expressly brought to the notice of the Secretary of State.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, my Honourable friend Saiyid Raza Ali criticized me for the demand that I made in my Resolution, namely, that simultaneous examinations for recruitment to the Indian Medical Service should be held in India and England, and he was pleased to observe that this was not practicable. I heard him with rapt attention, but could not understand how simultaneous examinations in the case of the Indian Medical Service would be impracticable when simultaneous examinations in the case of an equally important service, the Indian Civil Service, are already being held with success ?

THE HONOURABLE SAIYID RAZA ALI : That is not a simultaneous examination.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** Well, Sir, it would have been better if my Honourable friend had made it clear in his speech what simultaneous examinations meant. An ex-member of the Public Service Commission as he is, I expected that he would point out any practical difficulties in the way of introducing simultaneous examinations in both the countries for recruitment to the Indian Medical Service. However, as my friend Mr. Hossain Imam has already replied to his criticisms I need not dilate on them.

Now, the Honourable Major-General Sprawson has pointed out that Indianization of the Indian Medical Service has advanced and he gave figures to show that the ratio of Europeans to Indians so far as the total number of officers concerned was 1·7 to 1. I hope I am correctly quoting him ? But, Sir, I put a question in this House some days ago and His Excellency the Commander-in-Chief told us that there were at present 403 Europeans and 214 Indians with permanent commissions in the Indian Medical Service. Of course, he added that in addition there were 30 Indians with temporary commissions. But I submit that these 30 Indians who are only temporary should not be counted in arriving at the correct ratio of Europeans and Indians holding permanent commissions. And I do not understand how Indianization can proceed further when it is expressly laid down that recruitment to the Indian Medical Service will continue to be in the ratio of two Europeans to one Indian. Therefore my object in bringing forward this Resolution is that this ratio of recruitment to the Indian Medical Service should be changed. I do not mean to suggest that British recruitment should stop altogether ; but this high percentage of British recruitment should give place to a lower percentage—if not to the extent of two Indians to one European, then at least to the extent of the 50 : 50 ratio, as in the case of the Indian Civil Service. The Honourable Major-General Sprawson also said that candidates were not willing to come forward for examinations and so Government did not want to inflict the system of examinations on them. I think, Sir, when he made that statement he meant thereby that European candidates were not willing to come forward for examination. Because if it were true of Indian candidates, then I submit that I have already pointed out in my first speech that in spite of handicaps Indians secured 50 per cent. of the vacancies when the last examination was held in 1914. Therefore I think that he meant that European candidates were not forthcoming to sit for the examination—

**THE HONOURABLE MAJOR-GENERAL C. A. SPRAWSON :** On a point of explanation, Sir. I never said that ; the Honourable Member must have misunderstood me. I said we do not want to inflict another table type of examination. I never said that candidates were not willing to come forward. My point was that we were already submitting them to an examination of a different type.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** I submit to this correction. I must have misunderstood my Honourable friend.

I am glad, Sir, that the Director General of the Indian Medical Service has acknowledged that Indian officers in the Indian Medical Service are of good intellectual calibre and such of whom the country could be proud. If that is the state of things, Sir, then I do not think that the Government should be afraid of admitting Indians in an increasing proportion to the Indian Medical Service.

I am very grateful to my Honourable friend Sir Fazl-i-Husain for his promise to forward the debate on this Resolution to the Secretary of State.

[Rai Bahadur Lala Jagdish Prasad.]

What I meant by moving this Resolution was to press upon the attention of the Government the demand of Indian public opinion with regard to the policy of recruitment to the Indian Medical Service. And if the Honourable the Leader of the House is willing as he has already given an assurance, to forward this debate to the Secretary of State for India, then I think I need not press my Resolution to the vote. I therefore beg leave of the House to withdraw the Resolution.

The Resolution \* was, by leave of the Council, withdrawn.

### RESOLUTION *RE* GOLD PASSES.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, I beg to move :

“ This Council recommends to the Governor General in Council to take early steps to provide the Members of the Council of State with gold passes permitting them to travel anywhere on Indian Railways in lieu of the present travelling allowance granted to them.”

Sir, in moving my Resolution I claim that the Members of this House should receive gold or metal passes for travelling from their constituencies or their homes to the headquarters of the Government of India in Simla or Delhi. No doubt Members, strictly speaking, represent their constituencies yet they are called upon frequently to express opinions on subjects dealing with other parts of India. As, for example, during the Railway budget, Members here have to take a review of the conditions prevailing all over Indian Railways and express their opinion and offer criticism, and in case of a railway strike or riot Members are expected to deal with the matter even if it does not affect their constituency directly. It is necessary for Members to have facilities for travelling in the country extensively if they are to discharge their duties conscientiously.

I understand, Sir, Members of the South African Legislature enjoy the privilege of travelling free on South African Railways. Even in the case of the Mother of Parliaments Members get railway passes from their place of residence to London for unrestricted travel. My Honourable friend, Mr. Spence, will bear me out in this. There is a book with the Clerk at the Table of the House which deals with the rights of Members and which will bear out my statement. One may modify this Resolution in some way but the principle of giving Members of this House facilities for travelling on Indian Railways free must be conceded. I want free railway passes for Members only to come from their homes to Simla or Delhi. In this connection it will not be out of place to mention that in making a comparison between the official and the non-official Members I do not desire to import heat and jealousy in this debate but only to show that if Government desires there is no difficulty in getting us the privileges asked for in this Resolution. Sir, a first class officer, when transferred from one place to another, is granted three fares for self and each additional full fare or half fare according to the number of adults and children accompanying him who are members of his family as well as 60 maunds of luggage free. The official Members of this House representing the Provincial Governments, in addition to the large salaries

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\* *Vide* page 382, *ante*.

ranging from Rs. 1,500 to Rs. 4,000, are not deprived of their daily allowances of Rs. 20 a day allowed to non-official Members. That being so in our case our migration to the headquarters of the Government of India should have been treated as a transfer and we should have been paid the same concessions for ourselves and our families. As we are expected to remain in Delhi and Simla so far away from our homes for about three months in a year Government cannot expect us to leave our homes and hearths for such a long period. Every one would have brought their families if certain concessions would have been given to us. I do not press my Resolution in any spirit of jealousy against the official, whether he belongs to the heaven-born services or is an Executive Member in the Government of India, but on a matter of principle. My esteemed friend the Honourable Sir Fazl-i-Husain will agree that what is sauce for the gander is also sauce for the goose too. It is not so much a question of a few rupees being deducted from the travelling bill of non-official Members if the wives of Members accompany them in the reserved compartment. Non-official Members are partners of the officials only in sharing disadvantages and not sharing those privileges which the officials enjoy exclusively. In this connection, with your permission, Sir, I quote the railway privileges that are enjoyed by the Members of Parliaments of the different parts of the British Empire. I will begin with Westminster, the Mother of Parliaments, and, with your permission, Sir, I will read an extract from the journal of the Clerk of the Table of the House.

"In fact, owing no doubt to the absence of leisured classes in the Dominions, free facilities granted to M. Ps. have tended in recent years to increase rather than diminish and especially in those Dominions having State-owned railway systems, do these facilities include free passes over their lines".

In Canada, Members, with their baggage, also receive free transportation over railways in the Dominion, which include both State and private-owned systems. During session, Members are given the privilege of free postage upon all mailable matter sent to or from Parliament Buildings and are allowed a reasonable amount of stationery. In Canadian Provincial Parliaments Members receive free railway transit in the province.

In Australia, each Member of either House is also granted a free pass over all railways in the Commonwealth, and the wives of Members are entitled to free railway passes from their home towns in order to visit Canberra during a session.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Not over the rest of the country.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Well, this is for the wives of the Members and not for the Members themselves. Members are allowed to travel in other places without restriction on duty. Suppose, for instance, there is a riot or strike or trouble on some railway, the representatives of the public are allowed to travel free on duty and not for the sake of pleasure.

Overseas postage stamps are allowed to each such Member to the value of £4 per mensem. Lady typists are allotted to each Party to assist Members with official correspondence. In New South Wales an allowance of £705 per annum stamps to the value of £30 per annum are also allowed, and free railway and tramway passes. In South Australia, Members of the Upper House receive £400 per annum with Commonwealth free railway privileges and free passes over the Adelaide and Suburban Tramways, as well as for the motor-buses run by such railway and tramway companies. Two free passes

[Mr. Mahmood Suhrawardy.]

annually are granted for a Member's wife or relative over the railways in the Commonwealth. In Tasmania, Members also receive free passes over the railways of the Island as well as over those on the Continent of Australia. In Western Australia, Members receive a free pass over the State railways and the tramways. In addition, Members receive a free pass over the Dominion Railways for themselves and their wives. If a Member lives in a district not served by a railway, he is granted free travelling facilities between his home and Wellington, the seat of Parliament, whether by service-car or steamer ; his wife receives limited facilities in this respect. A Member is also granted a free pass over the State Railways and free conveyance to and from Cape Town, the seat of Parliament, once in respect of every session for members of his household who are living with, and are dependent upon, him with free transport for this baggage and one servant travelling with them, a free pass over the State Railways in their province and free telephone service during session are also allowed to them.

In the Irish Free State each Member is provided with travelling warrants exchangeable for railway tickets upon presentation by Members at railway stations. These warrants are issued by the Clerk of each House to the Members. Travelling facilities on duty in the case of a Senator apply between Dublin and his usual place of residence in the Irish Free State, and in the case of a deputy between that city and any place in the constituency he represents.

Sir, with these remarks, I commend my Resolutions for the acceptance of this House.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Sir, when I saw the Honourable the mover of this Resolution rise with that well known twinkle in his eye I felt sure that we should be favoured with a humorous discourse and I have not been disappointed. My Honourable friend has pleaded the cause of free travel for Members of the Council of State with his usual passionate eloquence, but alas, Sir, I must confess that this has left me unmoved and so far as I am concerned, I am still quite unconvinced that the Members of this Honourable House should be singled out for this special concession. My Honourable friend may not be aware that not even His Excellency the Viceroy nor the Members of his Executive Council enjoy the privilege of free travel when travelling on other than Government business. I believe I am right in saying, and if not no doubt the Honourable Sir Guthrie Russell will correct me, that the only persons in India who are in possession of gold passes are the Members of the Railway Board and the Agents of State Railways, who by the nature of their duties must undertake very long and frequent journeys. My Honourable friend has quoted precedents from other countries. I would point out, however, that in Great Britain, Members of the House of Commons only get free travel between their constituencies and London and get this by means of vouchers which they exchange for first class tickets, the railways being credited by Government with the value of these tickets at the public rates. I do not know if the Honourable Members of this Council would prefer some such system as this to the system at present in force, if so, perhaps the Chief Commissioner for Railways will tell us if the railways would have any objection to this system ? It would appear from the wording of the Resolution that the concession of gold passes is only to be granted to Members of the Upper House ; if this is the intention then the Honourable the mover is asking for something which I believe is not enjoyed by the House of Lords in Great Britain. At any rate they certainly do not

get free travel from the South of England to say, the North of Scotland if they wish to go on a shooting expedition ; whereas the issue of a gold pass to Members of this Council would allow them to travel free of all cost from Tuticorin to Peshawar. I am informed that even in the United States of America, probably the most democratic country in the world, free transportation is not supplied to Members of the Senate or of the Congress. Admittedly free transportation is given to Members of the Legislature in Canada ; but if the Honourable Member will read the Report of the Royal Commission which sat in 1931-32 to enquire into railways and transportation in Canada, I think he will find that this free travel was not looked upon with favour by the members of the Commission. I, Sir, in the course of my business activities probably travel to a greater extent than the majority of the Members of this Council—I did over 20,000 miles in 1932 and will probably do as much this year—and I can see no reason whatsoever why in the course of my business I should be allowed free travel. Only a few days ago another Honourable Member objected to concessional rates being given to officers and other ranks of the army when travelling by rail, an objection which, I think, Sir, is unreasonable, but if this Honourable Member still maintains that view, I hope he will now rise and support me in opposing this Resolution as it is one which I feel does not become the dignity of this Honourable House.

**THE HONOURABLE SIR HOMI MEHTA (Bombay : Non-Muhammadan) :** Sir, we have listened with great attention to the Resolution moved by my Honourable friend Mr. Suhrawardy. When the country is in such a state of depression, when everybody is clamouring for economy, when the Finance Member is introducing proposals for more taxation, my worthy friend asks for a concession which will lead the country into more debt. The Finance Member will have to come here again and ask for more grants.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** In lieu of the money given I want this concession.

**THE HONOURABLE SIR HOMI MEHTA :** Government will have to compensate the Railway Companies. The Railway Companies are not run on charity. What surprises me most is that the Honourable Member does not ask for a free pass from his constituency to Delhi or Simla. He says that he must have a free pass between Tuticorin to Peshawar so that he can study the conditions of the country and give an opinion to this House.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** Once in a year when the budget comes round.

**THE HONOURABLE MR. E. MILLER :** You do not say so !

**THE HONOURABLE SIR HOMI MEHTA :** It will be very difficult for the Government to find out whether that particular Member is travelling for his own pleasure or work or for the purpose of finding out whether a riot has taken place or a big fire has broken out or an earthquake has happened.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** I have expressed my opinion.

**THE HONOURABLE SIR HOMI MEHTA :** Then the Honourable Member says that official Members who travel on the train are allowed the handsome concession of travelling with 60 maunds of luggage free. Sixty maunds are equivalent to 4,800 lbs., if I am correct. I do not know if any man travels with that amount of luggage—



THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Go to the Railway Board and enquire.

THE HONOURABLE SIR HOMI MEHTA — and if he does carry that luggage, I should have no opinion of him.

THE HONOURABLE NAWAB KHWAJA HABIBULLAH (Bengal: Nominated Non-Official): But it is a fact that 60 maunds are allowed.

THE HONOURABLE SIR HOMI MEHTA: I do not think anybody carries it all the same.

THE HONOURABLE NAWAB KHWAJA HABIBULLAH: The Honourable Member is not an official; he does not know what the officials have to carry.

THE HONOURABLE SIR HOMI MEHTA: Sir, it is an open secret to almost everybody that some of the Honourable Members in the Legislature, who get 1½ first class as compensation for coming to attend the session, do not actually travel first class but travel second or even intermediate. They pocket the money which is left over in their hands by travelling in a lower class than first class. If these are the things that are going on, I cannot understand how my Honourable friend can bring in a Resolution of this character and ask for more. I think the Honourable Sir Guthrie Russell and the Railway Board will do a great service to the Government of India and enable them to save a few rupees if instead of allowing 1½ first class fares to be paid to every Councillor, they issue a warrant to be turned into a ticket at the station when the Members have to travel.

With these remarks, Sir, I oppose the Resolution.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Sir, we have all listened with very great interest to the concessions given to Members of the Houses of Parliament in England and other places. When I was listening to the remarks of the Honourable mover, I, at one stage, thought why should we not get these concessions, but when I reflected a little more I realized that it will not be confined to Members of the Council of State only, but that Members of the Legislative Assembly and the Provincial Councils will also come in for these concessions. There is nothing to prevent them asking for them tomorrow. As my Honourable friend the previous speaker has said, it is a very inopportune time now. When we want money for other things and when we have got to retrench, it is not proper that we, Members of the Upper House, should clamour for this concession. As a matter of fact, even members of the Local Railway Advisory Councils are not given this concession. If any Member wishes to visit any particular area or any important railway work, he is given a free pass for that particular object alone. I have been on the Local Advisory Council for a long number of years and for about three years on the Central Advisory Council. I do not think even those members of the Board get any gold pass or silver pass or diamond pass as the Honourable Member has mentioned.

Sir, this request is inopportune and I am strongly opposed to it.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary): Sir, the Honourable Member in putting forward his Resolution mentioned particularly that he wished for a gold or metal pass but I do not understand that he was meticulous as to the form which the concession which he asks for should

take. I therefore think I can deal quite briefly with the question as to whether it should take the form of a gold pass. Gold passes, as has been explained by the Honourable Mr. Miller—who incidentally I am sorry to say stole a lot of my thunder—are not suitable except for persons like railway officers who have to travel on duty all over the country. They are not suitable where, at any rate, the cost of journeys has to be brought into separate account and where the document on which any individual travels should therefore be available for use as an accounting document. I do not, however, assume for a moment that my Honourable friend lays any particular stress on receiving a gold pass. I do not understand that he particularly wishes to have a gold pass, except perhaps as a souvenir when he ceases to be an Honourable Member of this House, but that he would be prepared to accept a pass in any other form—

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY :** That is what I want to know, whether any pass is possible, any metal ?

**THE HONOURABLE SIR ALAN PARSONS :** I think my Honourable friend would not wish even to specify the particular metal. He supported his argument by reference to what is done in a good many other Parliaments of the Empire. I am not sure, however, that he mentioned what was done in the Mother of Parliaments. There, as far as I am aware, no Member of the Upper House gets any concession at all, and all that Members of the House of Commons receive is a voucher which entitles them to get at the expense, not of the railway but of Government revenues, a first class ticket to and from their constituencies and London on the occasions when they go backwards and forwards to London and to their constituencies in order to attend meetings of the House of Commons. I admit that in Australia, for instance, and I think in Canada, Members of the Legislatures are treated more liberally. On the other hand, I am not sure that we should be grateful to Sir Guthrie Russell if the financial condition of Indian Railways was in any way similar to that of the railways in Australia and in Canada ; and, as I think Mr. Miller remarked, the concessions given in Canada have been the subject of criticism even in that country. In effect, what does my Honourable friend ask for ? He asks that Members of this House should be allowed while they are Members of this House free first class travel over the whole of India. He justifies that request on the ground that Members have often public duties, not actually connected with their visits to Delhi or Simla, to attend to. I yield to no one in my belief that there is a great deal of public work which Honourable Members of this House perform outside their actual attendance here, but I do hope that occasionally they allow themselves a certain amount of relaxation. My Honourable friend, for instance, when he is not examining the condition of the country from Tuticorin to Peshawar, sometimes I suspect to the benefit of Sir Guthrie Russell's revenue pays a private visit to a friend somewhere else and possibly takes members of his family with him. Is this the time or is it really proper that when he pays those private visits he should do so at the expense of the general taxpayer, for it must be either at the expense of the general taxpayer, or of the railways, if the railways—I am afraid though that Sir Guthrie Russell is almost as hard-hearted as I am—were prepared to bear the cost of carrying Members of this House free. If they do not do so, it will mean an increased charge on general revenues, a charge that we shall have to provide in our budget and it will mean ultimately that more money will have to be raised from the taxpayer. I would ask my Honourable friend if he really thinks the present is a convenient time for a demand of that kind ? I am afraid on those grounds, if my Honourable friend wishes to press his Resolution, I shall have to oppose.

[Sir Alan Parsons.]

it. I can, however, say that there is shortly I understand, Sir, to be a discussion between certain Members of the Viceroy's Executive Council, yourself, Sir, and the President of the Legislative Assembly on the whole question of the allowances to be given to Members of the Legislature, and I understand that the question of their travelling allowances will also then come under review. I would suggest to my Honourable friend that he might very well await the result of that discussion.

THE HONOURABLE THE PRESIDENT: I understand that some of the railways used to give gold and silver complimentary passes. Is that practice still continued?

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): I do not know whether they were ever given in the past. As far as I know the only silver passes given were given to Government Inspectors on Consulting Engineers to Governments.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: Sir, I have listened with patience to the arguments given by my Honourable friend Sir Alan Parsons who is a great financial representative in this House. I listened also with patience to the European Member Mr. Miller. I also listened to the criticism of a Madras gentleman who is fortunate enough to become a member of every Committee in the Railways and of the Railway Board. I am not so fortunate as to have a diamond ring in my ear. I also listened with patience to the criticism of the Knight of Bombay. Well, the object of bringing this Resolution forward was not to benefit myself, as Sir Alan Parsons has suggested. I am a layman and not a financier nor an expert like the Chief Commissioner of Railways, and therefore cannot appreciate the distinction between gold and metal passes. Sir Alan Parsons said that in the Resolution the word was "gold," but I said in my speech "or metal passes." Well, I do not understand the difference between gold and metal passes. Had I been a financier or a Chief Commissioner of Railways I would have been in their place and answered.

THE HONOURABLE THE PRESIDENT: You do not understand the difference between gold and other metals?

THE HONOURABLE MR. MAHMOOD SUHRAWARDY: There are technical differences. Metal may mean silver or copper or iron.  
 1 P.M.  
 But what I want is a free pass for the Members of the Council of State travelling either as elected representatives on the Council of State or as nominated non-official Members. Sir Alan Parsons has opposed it on the question of economy. But where there is a will there is a way. There are approximately 33 elected and 12 nominated non-officials, and for these 45 Members the travelling allowance for coming to Delhi is about Rs. 9,000, and including the Simla session it amounts to about Rs. 18,000. I am taking a round figure and I speak subject to correction, because I am not a financier nor a mathematician but just a public man. As a layman, as a public man, I am saying this. To save this, I want a metal pass or a silver or a gold pass for Members of the Council of State. I do not claim it for myself or my wife as I said. Formerly, we had the privilege of travelling in a reserved compartment on a single ticket. Well, when the wife travels, she has to pay. In my argument I said that I was not bringing this forward

in a spirit of jealousy as my friend suggests. I admit, Sir, that times are very hard ; but an official genius like Sir Alan Parsons, by his ability and adjustment and shuffling can easily manage to get us free passes over all railways.

With these remarks, Sir, I will conclude by saying that the reply to this modest Resolution has been unconvincing and disappointing. I, a helpless listener of the sonorous sounds of this Upper House, where we have no redress, but everything to endure, I stand by my Resolution and press it to a division.

**THE HONOURABLE THE PRESIDENT:** Resolution moved :

“ This Council recommends to the Governor General in Council to take early steps to provide the Members of the Council of State with gold passes permitting them to travel anywhere on Indian Railways in lieu of the present travelling allowance granted to them.”

The Question is :

“ That that Resolution be adopted.”

The Motion was negatived.

The Council then adjourned for Lunch till a Quarter Past Two of the Clock.

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The Council re-assembled after Lunch at a Quarter Past Two of the Clock, the Honourable the President in the Chair.

**THE HONOURABLE THE PRESIDENT:** Mr. Hossain Imam.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muhammadan) : Sir, in view of the talk which I had with the Honourable Member, I do not propose to move the Resolution\* which stands in my name.

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#### RESOLUTION *RE* NEW SCALES OF PAY FOR THE IMPERIAL SERVICES AT REDUCED RATES.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal : Non-Muhammadan) : Sir, I move my Resolution which reads as follows :

“ This Council recommends to the Governor General in Council to recommend to the Secretary of State for India to introduce immediately new scales of pay for the Imperial Services at substantially reduced rates.”

In moving my Resolution the feeling that is uppermost in my mind is not political consideration but mainly economic consideration. There is no

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\*“ That this Council recommends to the Governor General in Council to convey to the Secretary of State the desirability of introducing provincial autonomy as early as possible in the year 1935.”

[Mr. Jagadish Chandra Banerjee.]

use in hoodwinking the fact that India at the present moment is groaning under the heaviest burden of taxation possible. It is, year after year, gradually becoming unbearable. The main reason for this burden is our top-heavy administration. There is no country in the world where her services are so highly paid as in India. It is now high time that the cost of administration is lowered by the reduction of the scales of pay of the superior highly paid services. The Retrenchment Committee appointed a few years ago recommended amongst other things the abolition of the Lee loot of the superior services. If I am permitted I would like to quote the very words which the Committee used. It reads as follows :

“ We have no hesitation in recommending that in a financial crisis of this magnitude the costly ‘concessions’ known as the Lee concessions (excepting those in the form of increased salaries which, pending consideration of the general question relating to pay and allowances, would be subjected, as proposed by us, to percentage cuts) should be withdrawn ”.

Then, again, in the second part of the report they once more reiterated the reduction of the Lee concessions of the superior services as a means of reduction in Government expenditure. I quote their words which are as follows :

“ We were unable then to show the cost of these concessions but we are now informed that it amounts altogether to Rs. 52 lakhs, the share of the Central Government being Rs. 14 or Rs. 15 lakhs. We hold that having regard to the present state of the country's finances Government should retrench this item of expenditure whatever justification did or did not exist for it at the time the Lee Commission made their recommendations. This will mean a saving of Rs. 14 or Rs. 15 lakhs in the central budget ”.

This is not all. The General Purposes Sub-Committee advised Government to collect certain materials and data through their Officer on Special Duty regarding scales of pay of different services but Government instead of placing the figures asked for by the said Sub-Committee, the said officer drew up a scheme of revised scales of pay for subordinate services and desired to place it before the Sub-Committee which disapproved the procedure and dissolved itself without making any recommendations. Sir, as far as I know and subject to correction, I state that it is the discriminatory attitude of the Government in regard to the reduction of scales of pay of services under the Government of India and those under the Secretary of State for which the Committee did not like to take the responsibility of suggesting reduced scales. The result was that the Government had a free hand and therefore brought into force only the reduced scales of pay for the subordinate services and practically shelved the question of the reduction of scales of pay for the superior services.

Now, Sir, I think I should give a small genesis regarding the increase in the pay of the services and the grant of the famous Lee loot. The scales of pay prevalent at the time the Lee Commission was appointed in 1924 was fixed on the recommendations of the Islington Commission appointed in 1912. This Commission submitted its report in 1915. Though the Islington Commission submitted its report in 1915 the recommendations could not be brought into force till 1919-20 owing to the war. Certain scales of pay was recommended by the Islington Commission in 1915, when the index number of the average prices of articles was about 185 taking the index number in 1902-03 to be 100. From the chart of the index numbers published in 1933 which is the latest, it appears that in 1919-20 when the pay was actually

fixed for the superior services recommended by the said Commission as far back as 1915 the Government of India and the Secretary of State endeavoured to give due weight to the changed condition of living since 1915. I may quote here the passage having a bearing on the question from the Lee Commission Report which reads as follows :

“ The Government of India, in their elaborate examination of the recommendations of the Islington Commission, and the Secretary of State in the orders which he passed clearly endeavoured to give due weight to the changed and changing conditions ”.

Then, in 1924, the Lee Commission took into consideration the rise in prices during the period of 1915 to 1920 and made recommendations for the grant of certain concessions to meet the higher cost of living. Sir, since 1925 the price level has shown a downward tendency and from the index number of 225 in 1925 it gradually fell till in 1931 it was 125. Unfortunately I could not get the index numbers for the years 1932-33, otherwise I think I would have been able to show that the index number of price levels went down still further than 125, the figure prevalent in 1931. That being the case, Sir, I do not see any justification for the continuance of the present scales of pay of the superior services and there is no justification for the continuance of the Lee loot as well. The case for the reduction of the scales of superior services has further been strengthened by the fact that the Government taking advantage of the lower level of existing prices have reduced the pay of all the subordinate services and have brought it into force as well. Sir, in England as far as I could gather the ratio between the pay of lower officers and the pay of higher officers is about 1 to 32 and whereas by the present reduction of scales of pay of the lower services in India it bears a ratio with the pay of higher services in the proportion of 1 to 133. In this connection I may state that a question on this subject was put by my friend Mr. S. C. Mitra in the other House on the 28th November, 1933, and in reply to that question and the volleys of supplementary questions it was brought out further that the Government of India consulted all the Local Governments on the subject and received their replies. It was further stated that the Government of India is in communication with the Secretary of State. I think it is now about four months since that reply was given and I hope the Government will be in a position now to tell us definitely as to when the reduced scales of pay for the superior services will be given effect to and also the scales of reduction proposed. As far as I could gather the Government of India reduced the scales of pay of all services under their control on a basis of 30 per cent. all round reduction including the minimum and the maximum of the scales and also the annual increments. I state this subject to correction. If that be the case I think Indians will be fully justified in demanding a higher percentage of reduction both in the minimum scales and the maximum scales together with the rates of annual increments of pay for all the posts in the superior services irrespective of caste, creed and colour.

Before I conclude I may state that the sooner the announcement on the subject is made the better will it be for the Government otherwise it will cause very great discontent among the subordinate services, which will affect the efficiency of the administration. Sir, in conclusion I appeal to the House to support my Resolution which only demands that the Government of India should recommend to the Secretary of State the revised scales of pay for the superior services and in this connection I think the House is fully entitled to know their recommendations if already made.

Sir, I move.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to support the Motion of my Honourable colleague. The Government of India and the public are at one in their desire to reduce the pay and emoluments of all the future entrants to the services. The Government of India have given effect to this desire by reducing the pay and emoluments of the services which are under the control of the Governor General in Council. But as regards the services which are still under the control of the Secretary of State, the constitutional position is that we are debarred from touching them up till now. The reason why we have brought forward this Resolution is to strengthen the hands of the Government so that the Secretary of State might not delay the matter very long. In the present atmosphere which prevails in the Parliament it is feared that unless and until we go on hammering at the thing, it will not be effected. The Government of India have also weakened a little in the face of the strong action which the Government in England are taking at the present moment. The scales of pay of the superior services are far more generous than those of the gazetted officers of the Government of India. It is well known, Sir, that the imperial services are offered a higher pay in order to attract Englishmen. When the Lee concessions were given the general cry was that the right type of recruits were not available, and it was for this reason that Government went out of its way and gave more emoluments and concessions. But, Sir, times now have changed a little. We are not so very anxious to retain the European element in the same proportion in which we used to have to do in former days. Now, we want to have Indianization. It is the official policy of the Government of India to have Indianization in every part of its administration, so much so that even in the Executive Council, out of seven Members we have three Indians. This, Sir, reduces the necessity of having the same number of recruits in Europe. As far as I remember, after the Report of the Simon Commission was published, Local Governments were asked to submit their opinions. I distinctly remember that a number of Governments recommended that the central service as such should cease to exist and that there should be a central service only for the central departments of the Government of India. They recommended that the Indian Civil Service as such or the Indian Police Service as such or the Indian Medical Service as such should not exist. The reason was that the services which were not under the control of the Local Government would not carry out their orders. This is past history. The latest document before us is the report of the Joint Memorandum submitted by the British Indian delegation to the Joint Parliamentary Committee on Indian Constitutional Reforms. In this all the Indian delegates have unanimously stated that the central services should not remain under the protection of the Secretary of State in the future. This, Sir, is beside the point we are now discussing. I simply brought it in to show the trend of public opinion as regards these services. Then, Sir, in the Memorandum the Indian delegation have taken strong objection to the provision whereby the Secretary of State wishes to defer reconsideration of the Indian Civil Service recruitment for a period of five years after the inauguration of the Federal Constitution. In the course of the debate last year on the Resolution which I moved in this House about the composition of the Indian Civil Service the Honourable Member assured us that Indianization was getting on so rapidly that it was thought that by 1935, 50 per cent. of the posts will be Indianized. These concessions were given when the proportion of Indians was very small. It was thought that there would be a great discrimination if the general rates of the European members were higher than those of the Indian members. But now, due to the fact that they are half and

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\* Speech not corrected by the Honourable Member.

half it is necessary that there should be a lower rate, and if you wish to attract Europeans, you can, as Government are doing now, give the Europeans an overseas allowance. You can continue to give that. It will be an additional attraction for the European element. For these reasons, Sir, I support the Motion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA (United Provinces Central: Non-Muhammadan): Sir, I rise to support the Resolution moved by my Honourable friend Mr. Banerjee. I think he has made a very modest demand in his Resolution and included only future entrants to the services and not the present incumbents. I am of opinion that it is also necessary to reduce the pay of the present superior staff if we want to get both ends of our budget to meet together.

THE HONOURABLE THE PRESIDENT: That is not the Resolution before us.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-ROTRA: I was referring to it by the way.

Sir, we all know that this country is over-burdened with taxation and the time has come when we should call a halt and lower the burden by reducing the taxes. We cannot do so unless we get our expenses curtailed.

That is one of the most important ways of curtailing our expenses. My friend has already referred to the Lee Commission concessions. We admit that they may have been justified at that time, but now when unemployment is as acute in England as in India I do not think there will be any difficulty in obtaining incumbents at a reduced salary. People would like to get something to maintain themselves on rather than having nothing. In this country, Sir, if you advertise a post in the papers you will find thousands of highly qualified applicants for the job, so much so indeed that it is difficult to make a selection. When such is the condition I think there would be absolutely no difficulty in getting recruits on lower scales of pay. As far as I know there is no European country where men in the superior posts are paid such high salaries as in India, in spite of the fact that it is the poorest country with few industries. Most of us live on agriculture, the condition of which also is very deplorable. Considering all these facts it is in the fitness of things that my friend has moved this Resolution and I hope that Government will come forward and accept it and send the recommendation of this House to the Secretary of State for India.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend Mr. Jagadish Chandra Banerjee. The Honourable Mr. Hossain Imam has put in a very strong case in support of the Resolution. As far as I can see and as far as rumour goes, it seems to me that the recommendations of the special officer whom the Government of India appointed to go into the question of scales of salaries and allowances to future entrants to the superior services have been refused by the Secretary of State altogether. If the rumour is wrong I hope the Honourable Member on behalf of Government will correct me. When the Lee concessions were introduced they were introduced because the price of living had gone up, and the Retrenchment Committee which sat to effect economies in Government administration strongly recommended that the Lee concessions should



[Rai Bahadur Lala Ram Saran Das.]

be done away with owing to the heavy fall in prices of living. Those concessions still continue. It is a matter of great injustice and inequity that the Government has introduced and enforced a new scale of salaries and allowances for future entrants into the services under the control of the Government of India. This injustice should be put right at once. Those people who are paid very highly must also accept the lower salaries in the same manner as those working under the Government of India have done. This is a very important matter at a time when our economic position is unprecedentedly bad. I therefore request the Government very strongly to accept this Resolution and to act on its spirit.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) : Sir, there is no doubt that the rise in the purchasing power of money owing to fall in prices should be reflected in the salaries drawn by all classes of public servants, and in this view I do not think there will be any very acute difference of opinion about the merits of the Resolution tabled by the Honourable Mr. Banerjee. In the course of the discussion this afternoon, however, it has been taken for granted, if I understood them correctly, by at least two of the speakers that the Indianization of the superior services, or what are called these days all-India services, will lead to substantial savings. Now, that is a very important proposition, but I am afraid that the conclusion drawn from the premises laid down by the two Honourable speakers does not seem to be justified. The position after all is this. Take the case of any imperial service, Indian Police, Indian Civil, or any other. Indianization fortunately has taken place in these services, but, unfortunately, the same scale of pay has been drawn by Indian officers as that drawn by European officers. Except for the office of Minister in some provinces, is there a single office in which an Indian incumbent is drawing less pay than that drawn by a European ?

THE HONOURABLE MR. HOSSAIN IMAM : There is a difference in allowances, which are not admissible to officers of non-Asiatic domicile.

THE HONOURABLE SAIYID RAZA ALI : Sir, I advisedly used the word "salaries."

THE HONOURABLE MR. HOSSAIN IMAM : Allowances are included in salaries.

THE HONOURABLE SAIYID RAZA ALI : Well, this House will realize that salary does not include allowances.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : In the Retrenchment Committee I may tell you that it was said that "salary" now includes allowances and overseas pay, and the cut has been made on that.

THE HONOURABLE SAIYID RAZA ALI : Sir, I am afraid we are straying off the point. My point is this—I will deal with allowances later—if you take the substantive pay of any service you will find that whether the holders of the post are Indians or Europeans they are drawing exactly the same substantive pay. There is no difference in the scales of substantive pay. That being so, I put it to this House how is the taxpayer going to benefit if you

replace Peter by Paul? If really it is desired that Indianization should take place at a rapid pace, I suggest that the only method to do it and the only way to accomplish our object is to pay Indians at a lesser rate than that allowed to Europeans. The subject is a most important one. In fact in this very House a Resolution was tabled in the year 1925; unfortunately it did not proceed to discussion. My point, Sir, is this. If you really want to save the taxpayer, if you want to give him any appreciable relief, the only way to do it is this. Make a uniform cut on all the salaries which are at present being allowed to the all-India services. Whether that cut should be 5 per cent. or 10 per cent. or whatever that cut might be, leave it to the Secretary of State to determine it in consultation with the Government of India. Having done that, we get the substantive scales of pay. For instance, in the case of any particular service on the time scale of Rs. 400 rising to, we will say, Rs. 2,000 or Rs. 1,800, take of 33½ per cent. and pay Indians 33½ per cent. less substantive pay than you pay Europeans. I will just explain the reason a minute later. Give Europeans the same pay as Indians, but give them that 33½ per cent. of the original pay in the form of overseas pay or allowance. The reason why I want to pay more to Europeans—and I repeat it I want to pay more to Europeans than to Indians—.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Nobody objects to that.

THE HONOURABLE SAIYID RAZA ALI: If that is the position, Sir, taken up by the Opposition, I need not argue it any further. My submission is that the time has come when, if Indians want to make a success of democracy in this country, they ought to be contented with a less rate of pay than that which is allowed to Europeans. I know at one time just after the introduction of the Montagu-Chelmsford Reforms the objection taken by some Ministers in certain provinces was that if they show their willingness to accept less pay than that drawn by an Executive Councillor, their status will suffer in comparison with the Executive Councillor. That was the argument used. Time has shown, Sir, that that argument was fallacious. There are a number of provinces—and fortunately my own province, the United Provinces, is one of them.

THE HONOURABLE SIR DAVID DEVADOSS: Madras Ministers have given up Rs. 1,000 per month.

THE HONOURABLE SAIYID RAZA ALI: There are several, as a matter of fact, I know—there are several provinces where the Ministers today are taking no more than Rs. 3,000 a month, though under the law their salary can go up to Rs. 64,000 a year; yet nobody can say that their position, their status, have in any way suffered as compared with the position and status of Members of the Executive Council. That, Sir, is an exploded argument and I do not think anybody will repeat the argument seriously today. My submission is that while I agree that the time has come when a reduction should be made in the salaries given to all classes of public servants, at the same time it is the duty of our countrymen to agree that Indians serving in the all-India services should be paid at a less rate than that which is allowed to Europeans.

THE HONOURABLE MR. M. G. HALLETT (Home Secretary): Sir, I am grateful to you for pointing out during the speech of one of the Honourable Members that this Resolution only refers to the pay of new entrants to the services under the control of the Secretary of State. As drafted, it might

[Mr. M. G. Hallett.]

convey—the Resolution being somewhat possibly vague in its language—it might convey the impression that it was referring to the pay of the existing members of the services. In fact, the speech of the Honourable mover of the Resolution left me in some doubt as to what exactly his intention was, for he referred to the abolition of the Lee concessions and it must be recollected that the Lee concessions do form part of the emoluments and therefore of the pay of the existing members of the services. However, it has been made clear by other speakers and by your ruling, Sir, that we are not concerned with that point; if we were, I should merely have had to refer to the observations and arguments put forward by my friend Mr. Taylor in this House a few days ago, on the question of increasing the cut in pay, which were accepted by the House. Taking it at that, as referring only to the pay of new entrants to the services, I am in a difficulty, because my mouth is padlocked. The position is that the Government of India have taken up the question of revised scales of pay of future entrants with the Secretary of State. I can assure the Honourable Rai Bahadur Lala Ram Saran Das that the matter has not been finally decided. It is now under the consideration of the Secretary of State and for that reason it is not permissible for me to reveal in any way the recommendations of the Government of India or to discuss in detail the question of what the future rates of pay will be.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: May I ask for how many months this question has been under the consideration of the Secretary of State for India?

THE HONOURABLE MR. M. G. HALLETT: Sir, I can reply to that question by referring to certain questions which the Honourable Home Member answered in the Lower House a short time ago. At the end of November the Honourable the Home Member explained that he hoped that our proposals would go very shortly before the Secretary of State. Actually there was a certain unavoidable delay and in January he explained that his expectation that they would go home in December had not been fulfilled, but he added that the recommendations would go before the Secretary of State very shortly. Actually they went some time in the course of last month, in the course of February. I regret that there has been this delay, but the question was a far more difficult one than the question of the rates of pay of the central services and the services directly under the control of the Government of India. As the last speaker has pointed out, there is the very difficult question of the rates of pay for Indian and British officers who form members of the same service. It was necessary for the Government of India to consult Local Governments and it was necessary for them to give the whole matter their very careful consideration. That, Sir, is all I can say on the subject-matter of this Resolution; but I am quite prepared to give the undertaking which has been given in connection with another Resolution today, and that is to forward a copy of this debate to the Secretary of State in Council who will no doubt pay careful attention to it when he is deciding the matter. Various questions have been raised, all of which are important, though some are possibly outside the scope of the Resolution itself. Mr. Hossain Imam, as I understood him, went on to raise some further questions regarding the recruitment to the service in future, but his observations will no doubt be taken into account by the authorities with whom the decision on all these points lies. I trust that on that undertaking, to forward the debate to the Secretary of State, the Honourable mover will withdraw his Resolution.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** Sir, I am indeed grateful for the unanimous and unstinted support I have received from the Leader and the Deputy Leader of my Party for my Resolution. In reply to the Honourable Mr. Raza Ali's suggestion of different pay for Europeans and Indians, I think it does not arise. At present the overseas allowances are not admissible to Indians and we have not objected to the discrimination. As it has been said, Sir, that this matter is under the serious consideration of the Government of India and the Secretary of State, I do not wish to add anything further than what has already been said. There is a strong suspicion in the minds of the politically-minded people of India that no reduction in the pay of the superior services will be made and I hope Government will take this opportunity of removing that suspicion. I would only request the Government to forward today's proceedings of this House on this Resolution with a strong recommendation of the Government of India impressing upon the Secretary of State to announce at the earliest possible date about the future scales of pay for the superior services. I think a great many objections to the White Paper proposals would also be removed if the Secretary of State immediately reduces the scales of pay of superior services as that will go a great way to reduce the Government expenditure both in the centre and in the provinces. This will ultimately mean reduction of taxation. It is a well-known principle that reduction of taxation means a general contentment of those governed.

As I have been given an assurance by my Honourable friend the Home Secretary that the debate this afternoon on my Resolution under discussion will be sent to the Secretary of State for India with a strong recommendation, with that assurance to my credit I beg leave of this House to withdraw my Resolution.

The Resolution was, by leave of the Council, withdrawn.

#### RESOLUTION *RE* DONATION TO BIHAR EARTHQUAKE RELIEF FUND.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I rise to move the Resolution which stands in my name and which runs as follows :

" That this Council recommends to the Governor General in Council to donate Rupees one crore to the Bihar Earthquake Relief Fund lately inaugurated by His Excellency the Viceroy."

Sir, before I begin my observations on this Resolution, I wish to sincerely thank His Excellency the Viceroy and the Government of India and the Railways for the help which they have so far given to the Bihar disaster. I also take this opportunity, Sir, to thank those big donors who, notwithstanding the greatest economic depression in the country that now exists, have donated large sums of money. But, Sir, if we look at the calamity that has taken place and for which, according to my estimate a great deal of money is required, we should move in this manner. Sir, I take this opportunity of thanking the Honourable the Maharajadhiraj of Darbhanga who has donated a lakh of rupees to the Viceroy's fund and has further promised a sum of Rs. 25 lakhs for the reconstruction of Darbhanga town. He has done this although he himself has suffered greatly and we can but sympathise with him. It is a matter of great gratification to find, Sir, that His Excellency has been kind enough to fly to Patna today to see the scene of the disaster and to console the people who

[Rai Bahadur Lala Ram Saran Das.]

have met with this great misfortune. His going there will be a matter of great relief to the people and I think by His Excellency being there more enthusiasm will be aroused in the donors who are likely to subscribe to his fund.

Sir, a similar disaster, although of less magnitude, took place in the Kangra Valley of the Punjab in the year 1905. I had the privilege then of serving as one of the secretaries of that fund and had to go there to distribute immediate relief and I realized from personal experience that such calamities require a great deal of help. At that time, Sir, our economic position was much better. We had a certain amount of reserve (I am talking of the masses), which reserve, I am sorry to say, is now practically gone. His Excellency Lord Curzon, the then Viceroy, opened the Kangra Earthquake Relief fund with a donation of Rs. 10,000 and his fund began to draw money for the disaster in the Punjab. For comparison sake, Sir, I would say that the then population of Kangra according to the 1901 Census, involved in the earthquake, including a small portion of the Bushahr State in the Simla Hills, was about 400,000. The population of North Bihar and Monghyr, according to the recent Census, is 13,187,254. In the Punjab, Sir, in the year 1905, His Honour Sir Charles Rivaz, the then Governor started a relief fund a few days after the earthquake. The earthquake took place on the 4th April, 1905, the fund was started on the 14th April when His Excellency the Viceroy inaugurated that fund, and was closed on the 20th December, 1905, when the total reached was Rs. 13,51,748-13-5. I am sure every body felt satisfied as to the way in which that money was distributed, and I am sure here too the money will be usefully employed. But, Sir, my point is that, taking the Kangra earthquake figures, when a population of about 400,000 got relief to the extent of about Rs. 1½ lakhs, a population thirty-three times as large will require nothing short of Rs. 5½ crores. I may be wrong, Sir, in my estimate, but I think that my figure is pretty near enough and even if we take a much lower figure, say a crore less, the effort required will be very considerable. What is our present position? We are grateful to the Government of India for giving the surplus of this year to Bihar but, Sir, to whom have they given it? I say it is not a generous action but a duty which they have performed. They have given it all to the Local Government and to local bodies but to no body else. I will quote a portion of the speech of the Honourable the Finance Member in support of the statement that I have made. This is from page 28, paragraph 40, of the Finance Member's speech introducing the Budget :

3-5 P.M.

"I have already mentioned one feature in this plan, namely, that we propose to transfer our estimated surplus of Rs. 1,29 lakhs in the current year (or whatever the final amount of that surplus may be) to a special fund which will be utilized in assisting the provinces, chiefly of course Bihar, which have suffered from the recent earthquake.

The problem of reconstruction with which the Government of Bihar and Orissa is confronted can conveniently be treated under four main heads.

(a) *Reconstruction of Provincial Government buildings, etc.*—There is first the reconstruction of Government property, chiefly buildings, though there has been some damage to canals. On such rough estimates as it has yet been possible to prepare, the cost of repairing this damage may be put at about Rs. 1 crore"—so out of this Rs. 1,29 lakhs, Rs. 1 crore goes to repair of Government buildings—"Our proposal is that the Government of India should, as capital expenditure on its own account, provide half the cost of reconstructing and repairing their damaged property, and should make a loan to the Provincial Government of the remaining half through the Provincial Loans fund".

Then, Sir, the other Rs. 75 lakhs goes to local authorities for their buildings.

**THE HONOURABLE SIR ALAN PARSONS :** I am loth to interrupt the Honourable Member, but it is perfectly clear from the Finance Member's speech that that half crore goes to capital expenditure of the Government of India and has nothing whatever to do with expenditure from the fund which will be created out of this year's surplus.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Do I understand the Honourable Member to mean that out of this Rs. 1 crore only Rs. 50 lakhs will be given to the repair of Government and Local Government buildings in Bihar ?

**THE HONOURABLE SIR ALAN PARSONS :** The position, I think, is quite clear. There is a revenue surplus this year, which may be Rs. 1,29 lakhs, or which may be more. That will be devoted to various purposes, but amongst those purposes will not be any assistance to the rebuilding of Provincial Government buildings in Bihar. Half the cost of those Provincial Government buildings in Bihar, whatever that cost may be, will be borne by the Government of India as capital and not revenue expenditure on its own account.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** No doubt, Sir. But it is quite evident that not a pice out of this money will go to the private people who cannot reconstruct their buildings. Sir, what is the position at present ? The fund of His Excellency the Viceroy was, on the 5th March, about Rs. 28,00,983-7-0 and the relief fund of Babu Rajendra Prasad has reached about Rs. 19 lakhs, which makes a total of about Rs. 47 lakhs. I see, Sir, that the Viceroy's fund is increasing every day but I do not anticipate that that fund will reach anywhere near the estimate which the people have framed so far for the reconstruction of the buildings of those poor people who are not in a position to do it themselves.

Sir, I have already said that the economic position of the people now is far worse than what it was in 1905. In support of this statement, Sir, I will give you some idea of the subscriptions which were given in 1905 in response to the appeal of the then Viceroy. The Lieutenant-Governor of the Punjab subscribed Rs. 2,000. I am not giving this list of subscriptions as a criticism. I am giving this in support of my statement that the spending power and the reserves of the masses being low, they have not been able to subscribe to the extent that they could have subscribed in case their condition was better.

**THE HONOURABLE THE PRESIDENT :** I am afraid such a comparison would be unreasonable.

**THE HONOURABLE SIR HOMI MEHTA :** The public have subscribed Rs. 46 lakhs already. In 1905 it was not even Rs. 14 lakhs that was subscribed.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I might inform my Honourable friend, Sir Homi, that the magnitude of the present Bihar disaster cannot be compared with that of Kangra in 1905. The disaster now is thirty-three times greater than the disaster of 1905.

**THE HONOURABLE SIR HOMI MEHTA :** You are comparing the capacity of paying, and you have said that 1905 was a much happier time and that people cannot afford to pay more now, and I say the people have already paid Rs. 46 lakhs.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I wanted to make a comparative statement and show that those people who subscribed much larger amounts in 1905 have subscribed only small amounts now, but as the Honourable the President has ruled that the comparison is unreasonable I cannot but otherwise convince you that the people have not come forward now with liberal subscriptions. Even the Ruling Princes who have not equally suffered have not subscribed on the scale on which they did in 1905.

Sir, my demand is a very modest one. It is also the duty of the Central Government to protect and keep their subjects in provinces happy and contented, particularly at a time when they are faced with such disasters. India, Sir, presented Rs. 100 crores in aid of the Great War. We did it because we thought it was our duty to do so. We did it as a mark of the loyalty and devotion that we had for the British Government. Sir, a small skirmish which now and then takes place on the North-West Frontier costs Government about a crore at least. We know, being neighbours of that province, how often that happens. I wish that the money for the proposed donation be found in a manner in which it is found for the skirmishes. The plight of the poor people of Bihar cannot be minimized. The area involved is very much bigger and the damage done even much more than the Kangra earthquake. The Honourable Mr. Hubback, while making his observations regarding the earthquake in his province, said that it will cost about Rs. 50 lakhs to remove the sand and other deposits with which the culturable land has been covered. The other day we were told that there was a Famine Relief fund in Bihar whose credit balance stood at about Rs. 25 lakhs. I should like the Honourable the Finance Secretary to inform the House how much money out of this fund will be utilized in putting the culturable land right by the removal of the deposits now covering it? I might also say that in the Kangra earthquake we got about Rs. 20,000 from Japan; we got a good deal of money from Ceylon and we got about a lakh and a half of rupees from London. But, Sir, we see this time that there is not much hope of our reaching a total of Rs. 5 crores. Therefore I make the modest request that a crore be found as a gift from the Government and the rest of the sum be found from the public funds which are now being run by His Excellency the Viceroy and Babu Rajendra Prasad.

**THE HONOURABLE SIR ALAN PARSONS (Finance Secretary):** Sir, though for reasons which I will later give to the House, I consider the Honourable Rai Bahadur's Resolution singularly inopportune, I am glad of it because it enables me to correct a misapprehension which quite obviously exists in his own mind and possibly might exist in the mind of other Members of the House, though I had hoped the speeches Sir George Schuster made in another place and which I made here a few days ago would have made clear the plan which Government had adopted for dealing with the disaster in Bihar. I attempted at any rate to make it quite clear at that time that we had no estimates on which any reliance could be placed of the cost of the measures of reconstruction which I then described. That being the case, it was not possible for Government to make a plan based on any definite figures. What we did do was to say what particular liabilities should be taken over by particular authorities. I did not notice that my Honourable friend challenged that method of dealing with the problem, though as far as I can understand he has not followed the figures which we gave purely as illustrations.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Can you give reliable figures now?

**THE HONOURABLE SIR ALAN PARSONS :** I can give my friend no better estimates now than I gave then. In fact I was actually hoping to hear from him on what estimates, either of receipts for the Viceroy's and other funds or of the money required for assistance by way of grants to individuals, he based his idea that a crore was the figure needed to supplement private funds, that a crore would be sufficient or that it would not be more than sufficient. I will deal with that point later for it is inherent in my objection to his Resolution.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I have made a minimum demand.

**THE HONOURABLE SIR ALAN PARSONS :** My Honourable friend says he made a minimum demand. He has given me no figures on which to say that it will be a minimum. He has given me no figures of what he anticipates will be available from the private funds or what sum will be required for grants to these poor individuals in Bihar.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I have told the Honourable Sir Alan Parsons that the figure which I estimate is nearly Rs. 5 crores. I do not anticipate that the Viceroy's fund will exceed a crore of rupees.

**THE HONOURABLE SIR ALAN PARSONS :** I can only say that I should like to know the details on which my Honourable friend estimates Rs. 5 crores. Neither the Provincial Government nor the Government of India have yet been able to form any estimate whatsoever. If I may continue with my speech, Sir —

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** My estimate is only a rough estimate.

**THE HONOURABLE SIR ALAN PARSONS :** We attempted to distribute responsibility. The Government of India undertook, not a gift of Rs. 50 lakhs to the Provincial Government for their buildings, but half the cost of restoring Provincial Government buildings whatever that cost might be. They did not promise a gift of a crore and twenty-nine lakhs to local bodies, though they hoped to have that sum to put into a fund, for the reconstruction of local bodies' buildings; they promised to pay the whole cost of reconstruction of local bodies' buildings. Equally they suggested—I now turn to the subject of my Honourable friend's Resolution—that where loans for rebuilding were not the method by which the problem could properly be tackled, that is to say, as regards the poorest class of inhabitants of Bihar, that then, at any rate to begin with, the money should be found from the balance of the Viceroy's and other charitable funds which was not used for purposes of immediate relief. They were obviously unable then, and they are still unable to say, how much money will be required for that purpose. Equally, they are unable to say how much money will be obtained from the charitable public for that purpose, though I personally do not take such a pessimistic view of the sum as my Honourable friend Rai Bahadur Lala Ram Saran Das. Until, however, the Government of India are aware of the sum that will be required for grants to these poor people in Bihar for rebuilding their houses, and until they know how much money will be available in the Viceroy's and other funds, it is impossible for them to say whether there is a problem with which they will have to deal. It is impossible for them to say whether an additional crore



[Sir Alan Parsons.]

will be required over and above what is subscribed by private benefactors, whether a crore will be sufficient or whether it will not be too much. And I failed, I am afraid, entirely to gather from my Honourable friend's argument, which appeared to be based merely on a mathematical analogy with Kangra where an earthquake occurred, any reason for accepting his estimate of what might or might not be subscribed to these private funds. Until we know those figures it is impossible to say whether private charity will require supplementing at all. I hope myself that it will come forward so liberally both here and in Great Britain that it will be found to be sufficient to meet the purpose. If not, I return to what I hope Sir George Schuster and I made clear. We are determined that the position in Bihar shall be righted, and if private charity does not come forward in sufficient volume then steps will be taken. What those steps will be I am quite unable at present to say. In any case the Government of India could not say without careful consultation with the Provincial Government. But it is really in my opinion far too early to discuss what those steps should be until we know exactly what the demand will be for these private grants, and what we shall get towards that purpose from private funds. It is for that reason that I have described my Honourable friend's Resolution as inopportune and premature, and if he is not prepared to withdraw it I shall ask the House to defeat it.

THE HONOURABLE KHAN BAHADUR CHAUDRI MUHAMMAD DIN (East Punjab : Muhammadan) : Sir, we are grateful that the Government of India and the Provincial Government have already done what is humanly possible to mitigate the sufferings of the stricken Bihar people. His Excellency the Viceroy in his after-dinner speech last night told us that he was flying this morning to visit Patna and the earthquake area. The assurance given by the Viceroy is a sufficient guarantee that the Government of India would take all necessary measures to alleviate distress. The matter of details may well be left to Government for decision in consultation with the Local Government according to local circumstances.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, my Honourable friend the Leader of the Opposition has made out a very strong case in support of his Resolution and brought forward very strong and convincing arguments which require no further explanation or elucidation on my part. That the sympathies of this House should go out to the earthquake-stricken areas of Bihar and its population is a matter over which none of the Members of the Honourable House have any reason to entertain any controversial opinion and in fact the speech of His Excellency the Viceroy last night, at the banquet given by you, Sir, His Excellency traversed at great length on this subject and so keen was his sympathy that in spite of his varied programme of public duties His Excellency has thought fit to fly by air today to view the affected areas personally and offer the afflicted population his personal consolation. It is therefore in the fitness of things, Sir, that my friend's Resolution is quite opportune and appropriate at this time when more help is needed. I have therefore no hesitation in extending my whole-hearted co-operation and support for the Motion just moved.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to support the Resolution moved by my friend

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\* Speech not corrected by the Honourable Member.

and Leader. The Honourable the Finance Secretary has placed the House on the horns of a dilemma. If we support the Resolution of my Honourable Leader, it is feared that private charities might dry up ; if we do not and trust to private charities we might starve.

THE HONOURABLE SIR HOMI MEHTA : When did he ever say that ?

THE HONOURABLE SIR ALAN PARSONS : I made no such statement, Sir.

THE HONOURABLE MR. HOSSAIN IMAM : That was what I thought was the meaning of his suggestion. He said that as we do not know what private charity is going to do we cannot be sure what sums will be required to mitigate the sufferings of Bihar. From this I thought the meaning was clear, that it might have the effect of drying up private charities.

THE HONOURABLE THE PRESIDENT : The Honourable Member is not entitled to draw such inferences.

THE HONOURABLE MR. HOSSAIN IMAM : The trouble with Bihar, as my Honourable Leader has shown, is that it is unfortunately greater than that of Kangra. The population involved as well as the area affected and, if I may say so, even the intensity of the earthquake was far greater in 1934 than it was in 1905. As regards the distribution of burden and the distribution of functions, we concede, Sir, that the Government of India has shown great consideration for the Government of Bihar. The fact that they are going to bear half the cost is no doubt a very sensible proposition. The fact that they are going to pay the entire cost of repairing the damage done to local bodies' buildings is also a very sound proposition and no Government could have done more. Then, there is the position of those who have some property on which they want to raise a loan ; Government has quite handsomely promised to help as far as their requirements are concerned. All these three actions of the Government are entirely commended and no one will find fault with them. But there are two classes of sufferers who are left out. One is the people who have lost their houses and who have got nothing to fall back upon and who will have to build their houses from charity. These have been asked to get support from the Viceroy's fund and other charitable funds that have been started. As far as this class of people are concerned these two funds may suffice if the present flow of money is maintained for at least four months. But if they are not sufficient, we do not find in the speech of the Finance Member any indication that Government will come to their rescue. This, Sir, is one of the items which we wish should go out of the crore which the Honourable the Leader of my Party wishes to ask the Government to donate. Should this money be insufficient, the Government of India should take the ultimate responsibility. Then, there is the bigger class. I refer to those whose lands have been rendered unfit for cultivation on account of the upheaval ; in some places it has become water-logged ; in other places there are sandy deposits and in still other places the land has become shallow. For all these purposes, Sir, the Government of India has asked us to go to the Famine Relief fund.

THE HONOURABLE SIR ALAN PARSONS : Will the Honourable Member excuse my interrupting him ? With regard to agricultural damage, we have made no such suggestion at all. The suggestion has been of course that after the Provincial Government's Famine Relief fund has been utilized the Government of India should bear the cost.

**THE HONOURABLE MR. HOSSAIN IMAM :** The speech is a little wide I am quoting from paragraph 43 of the Finance Member's speech :

" In addition we are undertaking the liability for the cost of any measures of assistance to agriculturists that may be decided upon, to the extent that it cannot be met from the Provincial Government's Famine Relief fund ".

**THE HONOURABLE SIR ALAN PARSONS :** There is a misunderstanding, Sir. That is a purely Government fund and not the Viceroy's fund.

**THE HONOURABLE MR. HOSSAIN IMAM :** The Famine Relief fund is a fund to which we contribute every year part of our income in the provinces until it reaches a certain maximum, after which contributions are stopped.

**THE HONOURABLE SIR HOMI MEHTA :** Out of the Rs. 17 lakhs that have been subscribed to the Rajendra Prasad fund, I am informed that not even Rs. 6 lakhs have been spent so far. If the necessity is so great, why has only Rs. 6 lakhs been spent ? If my figures are incorrect, I shall be much obliged if my Honourable friend will correct me ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I shall deal with that point of the Honourable Sir Homi Mehta afterwards. I will, first of all, deal with the Provincial Famine Relief fund. The Famine Relief fund of a province is a sort of insurance. Provinces are liable to be faced with disasters of famine, floods, etc. Orissa is peculiarly liable to floods and north Bihar which is liable to this kind of disaster. It would be a little difficult for us, if we exhaust all the balance in the Famine Relief fund, when money is required for famine relief ; we will then have nothing left on which to fall back upon. Our province has reduced the Famine Relief fund from Rs. 57 lakhs to Rs. 28 lakhs. I do not think it is safe to draw too much money from this fund. Our point, Sir, is that the ultimate liability for help in the reclamation of the lands should fall on the Government of India and if the Government of India is not prepared to accept this Resolution but if they accept this liability and are prepared to finance to the full any scheme of reconstruction undertaken for the purpose for which the Bihar Government or private generosity cannot make provision, we shall be quite satisfied. Our object is not to embarrass the Government. Our object is to just safeguard ourselves against starvation. At the present moment the condition of North Bihar as reported in the papers is that there is a likelihood of famine conditions prevailing on account of inundations and water-logging and some of the standing *rabi* crop is perishing. As regards the point raised by the Honourable Sir Homi Mehta about urgency, —urgency does not mean that everything must be done today and today only. Urgency means that the Local Legislature will not be in session and for that reason we have brought forward this Resolution now when we are in the midst of our budget discussions and when provision can be made. The work will not be accomplished in a month or two but will possibly take years. It may be that while one work can be postponed for a time there are others which will have to be taken up before the rains and some which will have to wait until the rains are over. The only point which we had in mind in bringing forward this Resolution at the present moment was to get an assurance from Government of their ultimate support and acceptance of responsibility.

**THE HONOURABLE MR. V. C. VELLINGIRI GOUNDER (Madras : Non-Muhammadan) :** Sir, in supporting this Resolution I should like to say a few words. It cannot be denied that the Bihar catastrophe was one the like

of which has never been seen in the past in this country, and though the catastrophe took place two months ago we have not yet been able to estimate the cost of reconstruction though a survey has been made, and we do not know what amount of money will be provided ultimately for the restoration of the damaged area. No doubt, it is a very difficult job in a disaster of this magnitude to make a definite estimate of the position but the Government have at all events got the accounts of the population and houses of all the big towns affected, and the reports on the areas surveyed so far as lands are concerned. All this can roughly be estimated and a rough estimate at least may be announced so that the public may know to what extent the country has to bear the loss of this calamity. Even though, as the Leader of the Opposition said, the estimate may not be a very accurate one and may only be a rough calculation, it would at least if announced by Government give us some indication of the amount of the loss. Then the country will be satisfied as to what provisions are being made by the Government to meet this catastrophe. No doubt, in these days of financial stringency it may not be very easy to find money but when we take into consideration that this is a vast stretch of country attacked and damaged by way of invasion by nature as if by a foreign enemy. If it is the latter, would the Government be keeping quiet appointing officers to survey, estimate, calling for reports and so on. I would submit, Sir, that we have experienced a very unusual phenomenon and for a calamity of this kind Government should take very urgent steps in whatever possible way. I would suggest, if there is any possibility of doing urgent restoration work as was the practice adopted in the old days to meet such calamities that we may employ the jail population and army people, who are able to do more manual labour and other works in those localities which require very speedy reconstruction work.

Sir, we who have experienced weather of unexpected severity during the last two days in Delhi, can well imagine what must be the state of the population in the afflicted parts of the country. Sir, we have experience of how crores of rupees have been spent by the Central Government on numerous projects in the country in the course of the last two decades. The Provincial Governments too have spent crores. In many instances we are not told that there are not sufficient amount of benefit to the country to justify the several crores spent in those areas. If we consider all these things, Sir, is it very difficult to give an encouraging answer as an assurance, as the Honourable Mr. Hossain Imam said, and say that the Government is prepared in all possible ways to alleviate the distress that is prevailing as a result of the effects of the earthquake, so that the people will be in a position to be satisfied and the Government has realized and fully prepared to meet their responsibilities.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I am sorry to find that the Honourable the Finance Secretary has practically refused the request that I have made and which has been the subject of my Resolution.

Sir, all sorts of diplomatic sentences have been used in the speech of the Honourable the Finance Secretary which do not amount to anything definite. He has not even been good enough to say whether, in case the subscriptions fell short of the expectations and of the amount required, Government would give this relief of at least a crore of rupees or even less as the need may arise. He simply says that the case will be considered. What we want at this time, Sir, is not lip sympathy from Government but real sympathy. Sir, it is all right to say that the Government of India will contribute 50 per cent. of the cost of reconstruction of the bungalows owned by Government or by local bodies. Sir, in the Punjab, when the Kangra earthquake occurred, all

[Rai Bahadur Lala Ram Saran Das.]

such expenditure was met by the Punjab Government. I have not taken it as a generosity, if it may be so called, as far as the Kangra earthquake was concerned. This is a duty which falls upon the Government equally with the duty which falls upon a private individual. In case a private individual loses his house, it is naturally his job to construct it if he has got funds enough to do so. Sir, in Bihar there is water-logging and a deposit of sand on cultivable lands. There are innumerable cracks as well. That was not the case in Kangra and so you cannot compare the Bihar earthquake with the Kangra earthquake. My estimate of the losses has not taken these additional calamities into account and is based only on misfortunes of the Kangra earthquake. Take the number of houses which have fallen in the Tirhut division. I can only give the total number of houses which are in the Tirhut division because my estimate of the houses may again be subject to question. Sir, I take this figure from the Census Report. According to that report, the number of houses in the Tirhut division is 2,007,595, and in Monghyr 426,591. Sir, if you take even a fair percentage of these houses as having fallen, and particularly those of the poor people who cannot afford to rebuild them, and the money needed for their reconstruction you will support my Resolution. When Government, with their great paraphernalia of officers and departments, have not been able to come even to any rough estimate of the cost of this reconstruction within the last few months, it is hardly fair for Government to expect it from a private individual like myself who has no officers of this sort or any data before him. It is unfair.

THE HONOURABLE SIR ALAN PARSONS: May I point out that the earthquake only occurred about six weeks ago? I do not understand how the Honourable Member can blame the Provincial Government for not starting to make an estimate six weeks before the earthquake occurred.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: When you have been able to give us an estimate within six weeks for the repair of the buildings of the State and of the Local Government, why have you not given us a similar rough estimate for the reconstruction of the private buildings? If you had tried you would no doubt have got ready a rough estimate.

THE HONOURABLE MR. J. A. HUBBACK (Bihar and Orissa : Nominated Official): May I ask the Honourable Member whether he would find it more easy to estimate the damage to his own house or the damage to the houses of all the Members of this Council?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Well, Sir, in case I have a host of engineers with me as the Government have, I would give a rough estimate of the reconstruction of all the houses referred to, which, God forbid, may have fallen down.

Also another point. As far as Kangra was concerned, only six towns were involved in the earthquake and the population of none of these towns exceeded 5,000—

THE HONOURABLE THE PRESIDENT: I think we have had enough of Kangra.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I am forced to refer to Kangra because I am asked how I base my estimate. I am basing my estimate on the basis and experience of the Kangra disaster. Sir, in case I am allowed to amend my Resolution to that extent

that in case the private funds do not reach a reasonable figure, Government will come forward with this relief, I am quite prepared to amend it that way.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Is this the stage for amending the Resolution ?

THE HONOURABLE THE PRESIDENT : This entirely changes the character of the Resolution and I cannot permit it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, the only alternative which is left to me is to press for this Resolution. As far as private subscriptions are concerned, I can say, Sir, that when His Excellency the Viceroy has been there, and Mahatma Gandhi will be there very shortly, I think enough impetus will have been given to the subscribing public and we shall soon come to know what the subscriptions will amount to. The Resolution, even if it is accepted by Government, is only a recommendation, and in case Government do not like to accept even the spirit of the Resolution, I cannot but regret it.

With these words, Sir, I commend my Resolution for the favourable consideration of the House.

THE HONOURABLE THE PRESIDENT : Resolution moved :

"That this Council recommends to the Governor General in Council to donate Rupees one crore to the Bihar Earthquake Relief Fund lately inaugurated by His Excellency the Viceroy."

The Question is :

"That that Resolution be adopted."

The Council divided :

#### AYES—8.

Banerjee, The Honourable Mr. Jagadish Chandra.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Gounder, The Honourable Mr. V. C. Vellingiri.	Naidu, The Honourable Mr. Y. Ranganayakalu.
Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.	Ram Saran Das, The Honourable Rai Bahadur Lala.
	Sinha, The Honourable Kumar Nripendra Narayan.

#### NOES—26.

Charanjit Singh, The Honourable Raja.	Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Pandit, The Honourable Sardar Shri Jagannath Maharaj.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.	Parsons, The Honourable Sir Alan.
Devadoss, The Honourable Sir David.	Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.	Raza Ali, The Honourable Saiyid.
Ghosal, The Honourable Mr. Jyotsnanath.	Reddi, The Honourable Sir Kurma Venkata.
Hafeez, The Honourable Khan Bahadur Syed Abdul.	Russell, The Honourable Sir Guthrie.
Hallett, The Honourable Mr. M. G.	Souter, The Honourable Mr. C. A.
Henderson, The Honourable Mr. J. S.	Spence, The Honourable Mr. G. H.
Hubback, The Honourable Mr. J. A.	Sprawson, The Honourable Major-General C. A.
Johnson, The Honourable Mr. J. N. G.	Stewart, The Honourable Mr. T. A.
Miller, The Honourable Mr. E.	Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.
Mitchell, The Honourable Mr. D. G.	
Muhammad Din, The Honourable Khan Bahadur Chaudri.	

The Motion was negatived.

## KHADDAR (NAME PROTECTION) BILL.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, I beg to move :

"That the Bill to regulate the use of the words 'Khaddar' and 'Khadi' when applied as a trade description of woven materials, as passed by the Legislative Assembly, be taken into consideration."

Sir, the Bill as it has emerged from the Select Committee in the Assembly is quite simple and is reduced to only two clauses. It is the outcome of an agreement between officials and non-officials in the Select Committee and therefore I hope it will be accepted by this House. The object of the Bill is to give protection to the name "khaddar" and "khadi" as descriptive only of hand-woven, hand-spun cloth as distinct from mill cloth. I must clearly state here that it has no political significance at all. There is no doubt that the movement for the use of khaddar and khadi arose out of the first civil disobedience movement. But, Sir, it has served very well as a cottage industry and fills a great need in a country conditioned as India is. Since 1924-25, however, a large number of Indian as well as foreign mills, thinking that this material is very much liked and the sale being good, have begun to manufacture mill khaddar. The shopkeepers also, thinking that they cannot meet the demand for hand-woven and hand-spun khaddar, began to sell this mill khaddar as hand-woven and hand-spun khaddar. Thus, Sir, purchasers have found difficulty in differentiating hand-spun and hand-woven khaddar from the mill variety. The object of this Bill is to put a stop to that practice under the Merchandise Marks Act. That is the whole object of the Bill.

I personally, as well as the sponsor of the Bill in the other House, Babu Gaya Prasad Singh, did not like the Bill very much as it emerged from the Select Committee for two reasons. Firstly, Sir, if it is passed by this House it will not have the force of law throughout British India. It will be left to Local Governments to apply it in their provinces if they care to do so. From the opinions received on this Bill from Local Governments you are aware, Sir, that Madras and the Central Provinces have accepted it, while the Punjab was indifferent and other provinces were against it because they were afraid that it may have a political significance. So, Sir, this Bill will remain a dead letter unless those Provincial Governments care to apply it in their provinces. My second reason is that this Bill will apply to hand-woven and hand-spun cotton only and not to silk and woollen cloths. That is also a defect, but when a full loaf is not available it is better to have half. I think this measure if passed will have some effect, and also, considering that after the introduction of the reforms more power will devolve upon Ministers it is just possible that public opinion will compel them to enforce it in their provinces.

Finally, I would appeal to the Government kindly to draw the attention of Provincial Governments to what the Select Committee has said. They said :

"The majority of the Committee express the earnest hope that those Local Governments which have expressed no disapproval of the Bill will take early steps to apply the Act when passed to the areas under their jurisdiction, and that other Local Governments will avail themselves of its provisions should any necessity for its extension become apparent".

With this appeal to the Government I commend this Bill for the acceptance of the House and hope it will be unanimously accepted.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, Mr. Gaya Prasad Singh—

THE HONOURABLE THE PRESIDENT : I would inform Honourable Members that there is not going to be any Government opposition to this Bill and there is no necessity to discuss in detail the provisions of the Bill.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, I shall be very brief in my remarks.

Mr. Gaya Prasad Singh, the sponsor of this Bill in the Lower House, has rendered a public service by bringing forward this Bill before the Indian Legislature. It is necessary, Sir, that mill-made cloth is not passed on to the unsuspecting buyers as khadi, as it is a fact that with the growing popularity of khaddar among the poorer classes in India the situation is sometimes taken advantage of by manufacturers of spurious khaddar in India and abroad and purchasers have at times been misled to the detriment of what might easily become a great national industry. It is therefore essential that protection should be given to khaddar or khadi in so far that the word should only denote hand-spun and hand-woven cloth. The sponsor of the Bill in the Legislative Assembly, as well as my Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra here in this House, have made it clear that they were not actuated by any political motive in bringing forward this Bill. The Bill, as passed by the Legislative Assembly, leaves it to the Local Governments to bring it into force at their discretion. Of course it would have been better if this discretion had been vested in the Local Legislative Councils. Then, it would have been better if the scope of the Bill had been extended to other kinds of hand-made cloth also, as my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra has pointed out. But, Sir, the Bill as it has emerged from the Legislative Assembly is in the nature of a compromise, we should be satisfied with the restricted scope in which it stands before us. And, as you, Sir, have pointed out that the Government is not opposing the measure, I hope that the House will accord its unanimous support to it.

THE HONOURABLE THE PRESIDENT : The Question is :

"That the Bill to regulate the use of the words 'Khaddar' and 'Khadi' when applied as a trade description of woven materials, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.



THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD  
MEHROTRA: Sir, I move:

"That the Bill to regulate the use of the words 'Khaddar' and 'Khadi' when applied as a trade description of woven materials, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

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The Council then adjourned till Eleven of the Clock on Monday, the 12th March, 1934.



# COUNCIL OF STATE.

*Monday, 12th March, 1934.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

## MEMBER SWORN :

The Honourable Mr. Sidheshwari Prasad Varma (Government of India : Nominated Official).

## QUESTIONS AND ANSWERS.

### IMPORT OF MILITARY HORSES, RACE HORSES AND MULES.

76. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): Will Government be pleased to state :

- (a) The number and value of military horses and mules and race horses imported into India each year for the past ten years ?
- (b) The name of the country or countries from which they were imported ?

THE HONOURABLE MR. T. A. STEWART: Information regarding race horses is not available. I have, however, placed on the table a statement showing the total number of horses imported into India from various countries annually since 1922-23. A statement containing such information as is available in regard to military horses and mules is also laid on the table.

*Statement showing number of horses of all kinds imported into India from 1922-23 to 1931-32 and the countries from which imported.*

From	1922-23.	1923-24.	1924-25.	1925-26.	1926-27.
United Kingdom . . . . .	191	185	361	299	415
Aden and Dependencies . . . . .	..	2	..	..	..
Mesopotamia . . . . .	953	1,186	1,016	670	562
Bahrein Islands . . . . .	12	1	..	7	1
Ceylon . . . . .	38	30	17	59	22
Straits Settlement . . . . .	51	18	46	18	7
Natal . . . . .	12	1	..	..	7
Kenya Colony . . . . .	..	4	..	..	..
Mauritius and Dependencies . . . . .	..	..	2	1	..
Australian Commonwealth . . . . .	1,845	1,059	1,067	2,217	4,516
Other British Possessions . . . . .	..	..	1	..	..
<b>Total British Empire . . . . .</b>	<b>3,102</b>	<b>2,486</b>	<b>2,510</b>	<b>3,271</b>	<b>5,530</b>
<b>Total Foreign countries . . . . .</b>	<b>24</b>	<b>27</b>	<b>6</b>	<b>5</b>	<b>41</b>
<b>Grand Total . . . . .</b>	<b>3,126</b>	<b>2,513</b>	<b>2,516</b>	<b>3,276</b>	<b>5,571</b>

From	1927-28.	1928-29.	1929-30.	1930-31.	1931-32.
United Kingdom . . . .	326	317	326	267	329
Ceylon . . . . .	43	76	32	44	82
Australian Commonwealth .	2,968	3,134	3,291	2,628	3,616
Other countries . . . .	92	16	8	30	9
Total British Empire .	3,429	3,543	3,657	2,969	4,036
Iraq . . . . .	563	644	556	452	904
Egypt . . . . .	..	35	45	36	3
Other countries . . . .	9	5	..	10	19
Total Foreign . . . .	572	684	611	498	926
Grand Total . . . . .	4,001	4,227	4,268	3,467	4,962

*Statement showing number and value of military horses and mules imported into India since 1925-26 and their country of origin.*

Year.	Horses imported.			Mules imported.		
	No.	Value.	Country.	No.	Value.	Country.
1925-26 . . . .	2,614	Rs. 16,46,350	Australia and England.	490	Rs. 4,55,700	United States of America.
1926-27 . . . .	2,492	16,43,520	Do.	500	3,61,500	South Africa.
1927-28 . . . .	2,737	18,31,145	Do.	383	2,79,973	United States of America.
1928-29 . . . .	2,899	19,63,219	Australia, England and United States of America.	497	3,24,400	Do.
1929-30 . . . .	2,806	19,72,500	Do.	379	2,94,483	Do.
1930-31 . . . .	2,584	16,87,810	Australia and England.	373	2,89,630	Do.
1931-32 . . . .	2,548	14,37,751	Do.	236	2,00,128	Do.
1932-33 . . . .	1,449	8,59,600	Do.	246	2,37,636	Do.

*Note.*—Figures for 1923-24 and 1924-25 are not available.

#### HORSE-BREEDING AREAS IN INDIA.

77. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (on behalf of the Honourable Mr. V. C. Vellingiri (Counder): Are there any places where horse-breeding is undertaken by the Government of India or by Local Governments directly or indirectly or by private agency?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: A statement showing the areas in which horse-breeding is controlled or encouraged by the Government of India is laid on the table. Stallions are also maintained by Provincial Governments or local bodies for the improvement of horse-breeding, but exact information is not available.

*Statement showing the areas in which horse-breeding is controlled or encouraged by the Government of India.*

Horse-breeding is controlled by the Government of India in the following bound horse-breeding areas of the Punjab:

- (i) Sargodha, comprising the Shahpur district.
- (ii) Montgomery, comprising the Montgomery district.

The Government of India also encourage horse-breeding in the following unbound horse-breeding areas:

- (i) Meerut, comprising the districts of Meerut, Bulandshahr and Aligarh.
- (ii) Lyallpur, comprising the districts of Lyallpur, Jhang and Sheikhupura.
- (iii) Rawalpindi, comprising the districts of Rawalpindi, Jhelum, Gujrat, Attock and Hazara.

The Government of India also supervise the activities of the district boards in the above localities with regard to provision and supervision of stallions maintained for horse-breeding.

#### SE-BREEDING INDUSTRY IN INDIA.

78. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) What is the percentage proportion of Indian-bred horses [to foreign horses among the horses which are generally used for military and racing purposes in different stations in India?

(b) Have the Government of India or Local Governments investigated the possibility of improving the Indian horse-breeding industry at any time?

(c) If so, with what results? If not, do Government propose to investigate the ways and means of improving the horse-breeding industry?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: (a) The information is not available.

(b) A Commission was appointed by the Government of India in 1900-01 to investigate *inter alia* the possibility of improving the horse-breeding industry in India.

(c) As a result of the recommendations of the Commission, horse-breeding circles were established in the Punjab Canal Colonies directly under the Government of India. Indian-bred horses produced in these circles are purchased by Government if found suitable for army requirements.

#### DEATH OF SIR THOMAS RYAN.

THE HONOURABLE THE PRESIDENT: Honourable Members, it is with a considerable amount of grief and sorrow that I have to announce the death of one of our former colleagues, Sir Thomas Ryan, which occurred this morning when he was found dead in his bed. He was a distinguished member of the Public Works Department and after holding many minor appointments with much ability he became Joint Secretary in the Department of Industries and Labour and subsequently he rose to the high office of Director General of Posts and Telegraphs. He was about to retire within a few weeks when this untimely and unfortunate event has taken place. Many of you must have known him personally and I had the privilege of his friendship for many years. I always found him to be a most genial friend and a good companion. He had a particular aptitude for making friends both among Indians and Englishmen

[Mr. President.]

and for sticking to them once the friendship was formed. We are all very grieved at his untimely death when within the next few weeks he was about to vacate his office and to enjoy his well-earned rest in his own country. However, we are all helpless against such untoward events and I know you would all like me to refer to this sad event today in this Council, particularly as he was an old colleague of ours, and I also feel confident that you would like me to convey the deep sympathy and condolence of this House to his unfortunate widow and family.

### RESOLUTION *RE* SURVEY OF THE POSITION OF INDIAN INDUSTRIES.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

“That this Council recommends to the Governor General in Council (1) to undertake a thorough survey of the position of Indian industries including cottage industries and to collect statistics of existing industries, in order to find out the exact position as regards the industries pursued, the quantities and values of products manufactured, raw materials utilized, number of persons employed, wages paid, motive power used and other particulars usually collected in advanced countries; (2) to place the results at the disposal of the public and to take other necessary steps to secure a rapid expansion of industries in the country.”

Sir, the tendency of all civilized nations today is for each to make itself as economically self-sufficient as circumstances permit. No country which aspires to be reasonably self-sufficient can do without agriculture. Agriculture supplies certain indispensable primary requisites of human existence,—food for the population, raw materials for industries and surplus products for export. But no nation in modern times has grown rich through agriculture alone. With the growth of civilization and the multiplication of human wants, the occupations associated with industries and manufactures have grown in importance and are found to be more remunerative than those of agriculture; and industrialism has come to be regarded more or less as synonymous with civilization. The recent practice in progressive countries has been to provide more work for their labour force in industries and subsidiary occupations and to limit the numbers employed in agriculture, it being recognized that employment of more than a limited number of persons in agriculture tends to reduce the average income of the individual and the aggregate income of the nation as a whole. This healthy practice has not yet obtained recognition in India. She is probably the only large-sized civilized country in the world where such a high proportion of its population depends almost exclusively on agriculture for its living. Naturally when the prices of primary products have so heavily fallen, people have suffered and there is very little money in the hands of the rural population. There is enormous unemployment in the country and it is imperatively necessary that the widespread misery caused thereby should be alleviated. The eyes of every Indian publicist and economist of eminence are at the present day turned to the necessity and desirability of finding means to check the growing unemployment in the country. The Right Honourable Sir Tej Bahadur Sapru in his Convocation address at the Allahabad University in December last, the Honourable Sir Shadi Lal, Chief Justice of the Lahore High Court, in the address he delivered at the Convocation of the Punjab University about the same time, and Sir P. S. Sivaswamy Aiyer in his address at the Lucknow University, all with almost one voice dwelt on the growing

menace of unemployment among the graduates and observed that the Indian Universities should try to divert the youthful energies of the increasing number of graduates into more useful channels by giving them vocational education and a practical outlook, and one of them advised the State to give serious consideration to the economic development of the country and to measures leading to the establishment of new industries which might provide employment for our graduates. The theme of Sir M. Visvesvaraya's speech delivered in July last under the auspices of the Mysore Chamber of Commerce at Bangalore was the need for an industrial survey of India on lines identical with those I have indicated in the terms of this Resolution, as a cure for unemployment. Then, Sir, no less a person than the Viceroy himself, in his speech at the opening ceremony of the Third Conference of the Inter-Universities Board only the other day in this very city of Delhi spoke feelingly of the tragedy of unemployment among educated youths and referred to the fact as to how far technical, vocational and technological education could afford a solution to this distressing problem and how far it could be possible for Universities to create developments in industry and commerce. And following in the wake of His Excellency's speech the Conference of the Inter-Universities Board passed resolutions emphasizing the importance of Universities equipping students more and more with technological and industrial training. All this goes to show that this question is engaging all round attention at the present day. The problem of unemployment can be to an appreciable extent solved if flourishing industries for meeting the daily requirements of the people are established in the country itself and the drain to foreign countries is minimized. Countries like Britain and Japan have grown industrially great. The record of France, Germany and the United States in this direction is well known. Russia, as we all know, drew up a five-year economic programme. And now Turkey has drawn up a five-year industrialization plan for attaining self-sufficiency in a short period of time. Its aim is that the essential needs of the population during peace and war should be produced in the country itself. It is stated that the present practice, whereby raw materials are exported from Turkey for manufacture abroad and the articles made from them are imported, is to end. Cotton goods are to be the first manufacture to be fully put in hand. By 1937 there will be four State factories. When this industry is established, Turkey will not need cotton goods imported by Britain, Japan and Italy. The iron industry is also to be developed. Paper and cellulose, ropes and sacking, porcelain, bottles and glass, a large electricity generating station for Anatolia at Zounguldak are reported to be down in the plan, together with other manufactures and exploitations to which the resources of the country immediately lend themselves. As regards Britain, she realized the importance of scientific research to industry during the last war. Soon after its conclusion was founded the Department of Scientific and Industrial Research with a capital of £1 million. This fund was exhausted during last year. Its eighteenth report, which conveys a valuable lesson to every industrially backward country, states that :

"Science is destined to play an increasing part in industrial production, and those who fail to learn that lesson will inevitably find themselves relegated to the position of 'navy nations'—hewers of wood and drawers of water for more enlightened nations".

The report gives eloquent figures which show that the large amount spent by the department has been repaid manifold. A few years ago the Electrical Research Association through researches costing at that date £80,000 saved the industry £1 million a year, a sum which must have been materially increased since that year. The Cast Iron Research Association made investigations which, if fully adopted, would result in a saving of fuel and other economies

[Rai Bahadur Lala Jagdish Prasad.]

amounting to £200,000 a year, besides producing a range of heat-resisting iron-alloys of great importance. The Iron and Steel Industrial Research Council has completed research work which, on the basis of production in 1930, would save about £392,000 worth of coke in the production of pig-iron and a saving in coal of £1,341,000 in the production of finished steel. The work of these Research Associations in Britain is centralized by the Department of Scientific Research where necessary. The State contributes £65,000 a year to the support of the associations, and industry £170,000. Altogether £2,750,000 has been spent on research.

India has been long among, to borrow the phraseology of the above-mentioned report, "hewers of wood and drawers of water" so far as industrial development is concerned and for which she has been aspiring. This aspiration will only be very partially realized unless the Government help the manufacturing industries by organizing industrial research as has been done in Britain. For, if India is still one of the most industrially backward and therefore one of the poorest countries in the world, not a little of the responsibility for the same rests on the shoulders of Government which has no active policy of making the country industrially self-sufficing, in spite of the fact that it produces practically all the raw materials needed for modern manufactures, unlike countries like Britain and Japan which although industrially great have to depend on other countries for the raw materials required by many of their manufacturing industries. The result of past neglect of industries in India has been deplorable. There are too many people dependant on agriculture and too few on industries. The balance between agriculture and industries is dislocated. Our income per head of the population is the lowest among countries which have an ordered Government. The average *per capita* income from industries is insignificant, being as low as about one-fortieth of that in Great Britain or one-eightieth of what it is in the United States of America.

Comparing the industrial position of India with some other countries, what do we find? The number of industrial establishments in India for which statistics are maintained was 8,148 in the year 1930. The total capital invested in them is not separately shown in the published statistical statements. Including the capital invested by companies which though registered in the United Kingdom are working in India, the total capital of organized large scale industries is estimated by experts at about Rs. 700 crores, but the share of the Indian people in it is probably not more than Rs. 300 crores. In the United Kingdom, with a population only 13 per cent. of that of India, the number of industrial and commercial establishments at work in 1928 was 107,500. The capital outlay of industrial companies alone in 1932 was Rs. 7,067 crores, or about twenty-three times the Indian capital. The United States of America, with a population 35 per cent. of that of India, had 210,959 industrial establishments in 1929 with an invested capital of about Rs. 23,000 crores, or more than seventy-five times the Indian share in the industries of India. Canada has a population of a little over ten millions, or three per cent. of that of India, and in 1929 she had 23,597 industrial establishments with an invested capital of Rs. 1,525 crores, or about five times our figure. Japan in 1928, with a population 19 per cent. of that of India, had 13,711 industrial corporations with an authorized capital of Rs. 1,009 crores, or more than three times that of India. It is reported that the value of manufactured products in Japan increased seven-fold between the year 1914 and 1926. Sweden is another country which, in 1870, had only one-eighth of its population dependent for a livelihood on industries and commerce; today quite half of its population is maintained by these occupations. No such good fortune has

fallen to the lot of India. The number of persons engaged in organized industries in India was about 1·5 millions in 1930, or roughly one per cent. of the total working population. The proportion of the working population engaged in all classes of industries in India in the same year was ten per cent., while in the United Kingdom it was about 45 per cent., in the United States of America 29 per cent., in Canada 27 per cent., in Germany 38 per cent., and in France 31 per cent. The proportion of the total working population of India employed in agriculture is 66·4 per cent., while, according to the latest figures available, the same is 14 per cent. in the United Kingdom, 22 per cent. in the United States, 35 per cent. in Canada, 30·5 per cent. in Germany and 38·3 per cent. in France. There are twice as many people here dependent on agriculture as there are in any progressive country in the world, and one of the problems with which this country is now confronted is how to reduce this number to reasonable proportions and attain the balance that ought to exist between agriculture and industries. The income per head of population derived from industries and agriculture, respectively, in India as well as in five of the most progressive countries of the world compares approximately as follows :

Country.	Income <i>per capita</i> .	
	Industries.	Agriculture.
	Rs.	Rs.
United States of America . . . . .	963	175
Canada . . . . .	545	344
Great Britain . . . . .	465	62
Sweden . . . . .	384	129
Japan . . . . .	185	85
India . . . . .	12	48

These figures are rough estimates, but they are near enough to represent the relative position of income between agriculture and industries. In none of the countries referred to above is the *per capita* income from industries less than that from agriculture, while in one case, namely, that of Great Britain, it is more than seven times. The corresponding proportion in India is only about one-fourth. These facts and figures will leave no doubt in the mind of any unprejudiced observer that while Western nations and Japan have been concentrating on industries and trade, India has been growing more and more overwhelmingly rural. While the income from industries in those countries is their chief source of wealth, the same in India per head of population appears too insignificant by comparison. The result is that those countries which are industrially advanced are rolling in wealth and can afford to spend large sums on beneficent objects. Whereas countries which are mainly agricultural, like India and China, are steeped in poverty and ignorance and find it hard to provide funds for mass education, for the relief of the unemployed and for other social services.

Sir, to obtain a clear idea of the true position of industries in this country an industrial survey is a necessary preliminary and the first step towards it is to collect statistics of existing industries in the way I have ventured to suggest in my Resolution, as are usually collected in advanced countries. Except in the case of organized industries, regular statistics of existing industrial establishments of all classes are not at present available. The organized industries take into account only establishments employing 20 persons or more each, and the total number employed in them in British India in any year has been less than 1,700,000 of persons. There is a large number of minor or cottage



[Rai Bahadur Lala Jagdish Prasad.]

industries employing less than 20 persons of which no account is taken in the figures recorded by Government. The total number of persons supported by industries of all kinds according to the Census of 1921 was 33,167,018 or 10·49 per cent. of the entire population. The corresponding figure for 1931 was 9·95 per cent. The number actually working in such industries, mostly minor, is stated to amount to 15,361,933 in 1931 or about 4·4 per cent. These figures show that the country is receding in industrial activity. In India work and labour are not organized as in other industrially advanced countries. Regular hours are not observed. In many parts of India, minor industries continue to operate along traditional lines without guidance or help from science or technical skill, and as a result they drop out one by one as they become unremunerative in competition with modern mechanized industries. There has been no attempt at a systematic survey of the natural resources of the country, such as has been carried out under the policy of "Conservation of Resources" by the Government of the United States of America and Canada. The natural resources there have been very carefully surveyed and mapped. The surveys embrace resources under agriculture, irrigation, water power, forests, fisheries, mining areas, and they will serve as a model to us if similar systematic surveys are undertaken in India. Correct information is needed as regards the supply of raw materials, coal, water power, labour and other facilities available in each province and State for helping existing industries or starting new ones.

Sir, I acknowledge with very great gratification that in order to collect some statistical material on economic matters the Government of India have invited to this country two economic and statistical experts, Professor Bowley of London University and Mr. D. H. Robertson of the University of Cambridge, who have been conducting inquiries in India for some time and whose labours, I understand, are coming to an end and who are now preparing their report for submission to the Government of India within the current month. But this inquiry is I think of a preliminary nature and may pave the way to further enquiries and possibly to the undertaking of a comprehensive census of production on the lines which have been carried out in England and the United States, judging from the speech of His Excellency Lord Willingdon delivered at the opening of the annual meeting of the Associated Chambers of Commerce, Calcutta, as recently as January 8, 1934. What I therefore urge on the attention of the Government is that if the enquiries already conducted by these distinguished experts might not be of the nature indicated in my Resolution, then the supplementary investigations that are yet to be undertaken should partake of the nature of a thorough survey of the position of Indian industries and collection of statistics of existing industries on the lines detailed in my Resolution, and the results of such enquiries should be placed at the disposal of the public. And, lastly, I recommend that such other steps should be taken by the Government as may be considered necessary to secure a rapid expansion of industries in the country, because, Sir, I consider that our only hope of advance in the immediate future lies in the rapid industrialization of the country, which is a *sine qua non* of economic prosperity and happiness in these days of materialism.

I only hope, Sir, that modest as this demand is, the Government should have no difficulty in accepting my Resolution, because so far as the subject-matter of the Resolution goes I am only asking them to do for the people in this country what other national Governments are doing for theirs.

Sir, I move.

**THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) :** Sir, I wish to accord my whole-hearted support to the Resolution, and I feel that the case has been so ably stated by the Honourable the Mover that I need not take the time of the House in dwelling on details. I wish, however, to emphasise that as the countries of the world are at present engaged in economic planning with the aim of meeting all the requirements of the country within the country itself, we, in India, cannot stand aside and watch the process without making our country economically equipped to take its share in the new world. The Government of India so far have made no attempt to tackle the problems as a whole and it is not in a position to do so unless it can accept the suggestions made in the Resolution and reorganize its Cabinet. If the Government of India is really anxious to do something, it must immediately create a new portfolio of Development, so that the Development Member may take such immediate action as seems desirable. The Government of India can do so without violating the constitution, as the Development Member need not be a Member of the Executive Council for ordinary business, except for development questions. The cost to Government will not be great, while the advantages to the country will be tremendous. The Government of India will then have a centre of development, which would prove a vitalising centre to the provinces. If this Ministry is created, it can immediately take in hand five-year plans of economic development and thus give a lead to the provinces in this most urgent matter.

**THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadian) :** Sir, I cannot but whole-heartedly support the Resolution so ably moved by my Honourable friend Rai Bahadur Lala Jagdish Prasad. What my Honourable friend wants by his Resolution is nothing unreasonable or extraordinary. He wants a statistical survey of our existing industries. When we are living under the aegis of a civilized Government, it is nothing but proper that we should have accurate statistics of all our indigenous industries. Then only shall we be able to judge where we really stand so far as our present industrial development in this country is concerned. We shall then also be able to compare our industrial achievements along with those in other countries.

Sir, I shall not for a moment think that the proposal of my Honourable friend is unpractical. Really it will not be a difficult task on the part of our Government to collect all the necessary data within a short time. Nor need the fear of a heavy outlay daunt them by the way. The Department of the Director of Industries, under the Ministers, functioning in the different provinces will be able to get together all the details in that direction if called upon as that department is already in close touch everywhere with the indigenous industries.

Sir, it is really very sad to think that side by side with the enquiry into our agriculture there was no investigation into our existing industries. In fact one was as necessary as the other. My Honourable friend in bringing forward this Resolution is trying to fill up that lacuna but rather late. In the true interests of the nation and for the better organization of the provinces, with the coming in of the constitutional changes, such a survey of the industrial situation of the country will be quite helpful to the autonomous provinces in particular. The Central Government will thus be in a better position to know what industries to tap profitably for the sake of an excise revenue.

THE HONOURABLE MR. D. G. MITCHELL (Industries and Labour Secretary): Mr. President, I am not equipped to follow the Honourable Member in his flights into the higher realms of economics and I have no comment to make on his wide and interesting survey of comparative economics and economic plans. My remarks will be very brief and will only be intended to convince the Honourable Member that Government is just as anxious as he is that the objects expressed in his Resolution should be secured as early as possible. His Resolution falls into two parts, the first part relating to his proposal for the undertaking of an economic survey. This question of an economic survey and the collection of statistics on the industrial side first became important in the post-war years when there was a considerable expansion in the industries of India, and it became more important with the adoption about 1923 of the Government policy of discriminating protection. The need was felt very strongly by Government that more accurate and more broadly based statistics were necessary for the proper formulation of the different schemes of protection. In 1925 the Indian Economic Inquiry Committee sat and it produced certain specific proposals which unfortunately could not be followed up. A great deal of discussion and correspondence and hard thinking was done on the subject of these proposals, and they were also considered by the Indian Agricultural Commission; but the general conclusion was that the scheme proposed by the Indian Economic Inquiry Committee was so elaborate that it would cost an overwhelming sum of money, and Government was forced to look for simpler methods,—methods more gradual, methods requiring the co-operation of the provincial institutions and of private organizations. However, the position became more and more acute as time went on. The crisis came with the negotiation and passage of the Ottawa Trade Agreement. The negotiators of that agreement in Canada felt that they were very badly handicapped by the lack of full statistics, and during the passage of the Bill complaints were made from all sides of both Houses that the critics of the Bill also were unable to criticize it properly for lack of fuller information. The Government therefore took the subject up specifically in the Economic Conference of 1933, and shortly after that Conference sat a letter was issued, in the month of August last, by the Finance Department which was an invitation to the provinces to co-operate in this matter and to make such suggestions as they could make to enable statistics to be gathered on a broader basis and as cheaply as possible and in such ways as might be practicable under present conditions in India. The letter was accompanied by a memorandum prepared in the Commerce Department which contains a passage of remarkable similarity to the Resolution which has just been moved. I understand my Honourable friend gave notice of this Resolution in August last, and he must have drafted his Resolution about the same time as the writers of this Memorandum drafted the Memorandum. The passage runs:

"The monthly figures of production referred to above which are being received from certain establishments in a few 'large scale' industries cover the volume of output only, whereas the information required in a census of industrial production would include many other details such as —"

then follow some words which are a close paraphrase of the present Resolution:

"quantity and value of materials used, number of working days, number of working hours, number of employees, salaries and wages, cost of raw materials, quantity and cost of power used, etc."

I think that quotation is sufficient to convince the Honourable Member that Government and he are thinking along almost identical lines. It is perhaps a remarkable case of great minds thinking alike.

After the receipt of letters from Local Governments on this Memorandum, the Government of India decided to take a very definite step and issued the following Resolution to which my Honourable friend has referred :

“The Government of India have engaged the services of Mr. D. H. Robertson, Lecturer in Economics at the University of Cambridge, and Professor A. L. Bowley of the London School of Economics to advise them on the question of obtaining more accurate and detailed statistics than are at present available in India. There will be associated with these gentlemen in their enquiries the following three Indian economists—Professor P. J. Thomas, Professor of Economics, Madras University, Mr. D. Ghosh, Lecturer in Economics, Bombay University, and Mr. C. Fazal, Assistant Secretary of the Punjab Board of Economic Enquiry”.

Then follow the terms of reference which briefly are to the effect that these economists are to find out and to propose to the Government of India the most practicable methods of obtaining statistics. And that is the crux of the whole problem. The method of obtaining statistics which has to be determined before the statistics themselves can be obtained on a proper basis,—a simple proposition which I hope my Honourable friend will admit. I may assure him that as soon as the report of the economists is submitted—which will be in a few weeks now—the Government of India has every intention of pushing ahead as fast as it can. This report will, of course, be public and the results of any further inquiries that may be made as a result of it will also be public.

Now, Sir, to come to the second part of the Resolution—

“to take other necessary steps to secure a rapid expansion of industries in the country”

—I find difficulty as the securing of a rapid expansion of industries in the country is a provincial subject and is not within the competence, strictly speaking, of the Governor General in Council. Such being the case, Government is unable to accept the Resolution, but I am to assure the Honourable Member and the Members of this House that Government feels as strongly on this subject as he does, and has every intention of taking all practicable steps to secure the objects in view. With this assurance I trust the Honourable Member will kindly withdraw his Resolution.

I have only one more remark to make, as regards the speech of Sardar Buta Singh, who urged the formation of a Development Ministry. I think I may say that a few days ago in another place the Honourable the Finance Member mentioned that Government had under consideration the question of the formation of a Ministry of Transport. That being the case, on the existing distribution of the two portfolios concerned, if a Ministry of Transport were to be formed the other Ministry would necessarily be one of Development.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend, Rai Bahadur Lala Jagdish Prasad. Sir, although superficially the reply from the Honourable Mr. Mitchell seems very attractive and reassuring, if we look more deeply into it we find that it simply brushes aside the proposal. The Government of India generally appoints committees to inquire and report on important matters. But whenever it does not suit the Government to accept the recommendation for a certain committee they brush it aside and in the present case the Honourable Mr. Mitchell says that as the expenditure involved in the report of the Economic Committee was rather high the Government did not see its way to adopt the recommendations.

[Rai Bahadur Lala Ram Saran Das.]

Sir, similar has been the case of many other committees. Many committees reported and their reports never saw the light of day and were not made public. In other cases the report was lying in the offices as it did not call for any action on the part of the Government. Sir, it is very necessary that the present difficult problems of unemployment should be solved, and if we inquire how far the industries are now really being patronized by the Government, we find that most of the industries are being run at a loss and the Government has been very, very slow in giving them the protection asked for and even when the protection was given it proved in most cases to be very inadequate. While making observations on the Budget the other day I said that the Department of Industries and Labour in the Centre is only an anomaly. The responsibility for the industrial development lies with the provinces while the power lies with the Central Government and it is very difficult for the provinces to develop and assist industries as long as responsibility is divorced from power. Sir, if this Resolution is accepted—I am glad to find from the speech of the Honourable Mr. Mitchell that the Government of India are sympathetic towards the idea underlying the Resolution and they want to go into this matter partially but not wholly and wholeheartedly—I must say that in industrial matters very early action should be taken. In foreign countries, whenever any industry is in trouble, the Government takes action promptly and that action gives immediate relief to the industry concerned. Here, in India, it takes them a very long time to take action and the industries are sometimes ruined in the meantime. Sir, we wish that either the power to assist industries should be transferred to the provinces or that provinces should not have industrial development in their hands and the Central Government should have the industrial development of the various provinces in their hands in the same way that they have the income-tax administration. Then we can hope for better industrial development. Sir, railway freights, tariffs, exchange, currency, excise, credit banking facilities and similar matters are all in the hands of the Government of India. As far as the textile industry in India is concerned, the Government has been rather unmindful of the grievances of the textile manufacturers. The import duty on cotton continues, the surcharge on coal and mill stores continue, and so on—the result is that the excise duty on textile goods which was taken away by the Government some time ago has been re-introduced indirectly in another shape.

I wish, Sir, that Government accepts this Resolution in full. It is after all only a recommendation. As statistics are of vital importance to the industries, as much statistics should be made available to the public as is possible. To grudge the expenditure on industrial development is a mistake, because in industrializing the country lie the salvation of the country and the solution of the question of unemployment to a great extent.

With these words, Sir, I give my warmest support to the Resolution.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: Sir, I am very thankful to my Honourable friends in the House who have supported my Resolution. I am glad to find that the attitude of the Government also is sympathetic. The Honourable Mr. Mitchell has in his speech observed that the Government are just as anxious as myself so far as the substance of my Resolution is concerned. He has given some information to show what the Government of India have done from time to time by appointing committees for economic enquiries, and has told us that Government and I are thinking on the same lines in this matter. I am very glad that on this point the Government and I see eye to eye with each other. As

the Honourable Mr. Mitchell has assured us that as soon as the report of the Economists whom the Government of India have appointed to make a survey is received by the Government, the Government would push forward the industrial development of the country and as he has in view of this assurance advised me to withdraw this Resolution at this stage, I have no objection in following his advice. But, Sir, I only hope that the investigation which the Government of India are now conducting through economic experts will be on the lines as detailed in my Resolution. If after the report by these economic experts I find that the report is not up to the mark or that the Government are not doing what they should to see the country make rapid progress towards industrialization, then I will, if necessary, again bring forward a similar Resolution in the House. But, Sir, for the present I am satisfied with the assurance given by the Honourable Mr. Mitchell and in view of that assurance I beg leave of the House to withdraw my Resolution.

The Resolution\* was, by leave of the Council, withdrawn.

### RESOLUTION *RE* REFERENCE OF IMPORTANT BILLS TO JOINT SELECT COMMITTEES.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I beg to move :

"That this Council recommends to the Governor General in Council to direct the Government Members in charge of important Bills to move for reference of their Bills to Joint Select Committees of the two Chambers."

Sir, the Resolution, as worded, is very simple and requires little elucidation from me. I have particularly added the words  
12 NOON. "important Bills" in order to leave the choice to the Government so that they will not be in an embarrassing position to refer all Bills to Joint Select Committees. Sir, we all know to what disadvantage this House is put when important Bills have no representatives from this House on the Select Committee. Sometimes, in the Select Committee, we find that compromises are made. We do not know the occasion for those compromises. Some important clauses as a result of a compromise in the Select Committee are modified or deleted and we do not know why it has been done and why the Bill is changed in important aspects. We have to rely wholly and solely on the statement made by the Government in such a situation. If some of the Honourable Members of this House are represented on the Committees, and important changes are made, they will be able to explain to their colleagues here how those changes have been arrived at. On the other hand, the Assembly will not lose anything if some Members of this House are on the Select Committee. I admit that this House has got more of a nominated element than the other House, but it contains representatives from all classes and their advice may be helpful in coming to important conclusions in Joint Select Committees. Then, the Bill goes again to the Assembly and if the recommendations of the Joint Select Committee are not acceptable to the other House, which is more representative, they can make changes wherever they like. Sir, this demand of ours is not a new one. After the introduction of the Montagu-Chelmsford Reforms, important Bills used to be referred to Joint Select Committees for a few years. In 1921 as many as five Bills were

\*Vide page 428 ante.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

referred to Joint Select Committees, so much so that the Finance Bill was also referred to a Joint Select Committee in that year. In 1922, six Bills were referred to Joint Select Committees. It was only with the advent of the Swaraj Party in the Assembly that the Government felt nervous and began to treat the Upper House in a step-motherly fashion. Up to 1926, however, some Bills were referred to Joint Select Committees but in that year a Motion for reference to a Joint Select Committee was withdrawn for the first time. The Motion was not defeated, it was withdrawn by Government simply to please the Members of the other House. In 1927 two Bills, the Gold Standard and the Reserve Bank Bills, were referred to a Joint Select Committee. An Honourable Member of that House, Mr. Jamnadas Mehta, objected, but no other Member supported him and the Motion for the Joint Select Committee was carried without any division. But after 1927 Government gave up the practice of referring important Bills to a Joint Select Committee, and from 1927 till 1932, that is for five years, no Bill was referred to a Joint Committee. It was only in 1933 that the Reserve Bank Bill and the Imperial Bank of India Bill were referred to a Joint Select Committee because it was done in 1927 as well. When the objection was made in 1927 for reference of the Gold Standard and Reserve Bank Bill to the Joint Select Committee, the Honourable the Finance Member, Sir Basil Blackett, made an important pronouncement in his speech, which I shall quote for the benefit of the Members of this House, in which he has asserted the privilege of the House, but with all that, Sir, no Bills after that, as I have said, were referred to a Joint Select Committee. He said :

“ This House in no way infringes its own rights or gives away any of its own rights in regard to the examination of this Bill when it returns from the Joint Committee, if it agrees to a Joint Committee. On the other hand, owing to the rule that a Select Committee cannot be appointed by one House if there has already been a Select Committee on that Bill in another House, a Motion for a Select Committee in this House deprives the other Chamber of any power of examining this Bill in a Committee. The constitution intentionally gave a special representation in the other place to representatives of commerce and industrial interests and it is most desirable that when an opportunity arises of taking advantage of those who have special knowledge it should be used. Government are unable to accept the suggestion of Mr. Jamnadas Mehta that they should withdraw this Motion and they very much trust that the House will see that in its own interests and in the interests of the country it is desirable that it should be referred to a Committee fully representative of every one in the matter ”.

That is what Sir Basil Blackett said when an objection was made in 1927.

Then, Sir, a similar Resolution was moved by my friend Mr. Hossain Imam on the 6th March, 1933, when my Honourable friend Sir Fazl-i-Husain, the Leader of the House, opposed the Resolution in a half-hearted way and put in some lame excuses. I will, with your permission, Sir, quote two of his sentences in reply to the Resolution of my Honourable friend. He said :

“ I think it is obvious that Government would like to have public business done in the best way possible and surely the co-operation of this House in Select Committees cannot in any way be prejudicial to the best way of disposing of legislative business so far as the Government is concerned ”— mark the words ‘ so far as the Government is concerned ’— “ and yet Government has got to do its duty and do it without giving cause for offence to other people and without creating situations in which bitterness is engendered ”.

By this, Sir, the Leader of the House wanted to hint that if the Bills are referred to Joint Committee the other House may be displeased. There was no other reason he could give for not referring the Bills to a Joint Committee.

**THE HONOURABLE THE PRESIDENT:** That is not the correct interpretation of the sentence which you have just read.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** Sir, it is my interpretation. Anybody has a right to interpret in any way he likes. Later on, he said :

“ Therefore I trust the Honourable Member will be satisfied with the assurance that I have given him that it is but right that the Government should try and have a Joint Select Committee as far as it sees it can usefully be done and not press it if there is controversy about it ”.

But, Sir, on many important Bills on which it was possible for the Government to obtain representation of this House and it was but proper that it should have been represented, it was not represented. I may say that this House was not represented in the Select Committees of such important Bills like the Ottawa and Tariff Bills, and, even after the statement of the Leader of the House in reply to my friend's Resolution, on the Medical Council Bill and Indian States Protection Bill. Even though no representation was given to us on other minor Bills, yet those I have quoted above were some of the most important legislative measures brought forward during the last few years. It is the practice of not only this country but England. Joint Select Committees of both Houses—the House of Lords and the House of Commons—are appointed on important Bills in England and we know that a Joint Select Committee was appointed on the last Reform Bill,—the Montagu-Chelmsford Bill, and one is also sitting on the future Reform Bill. Sir, section 42 of the Indian Legislative Rules definitely provides for such Joint Select Committees ; so there ought not to be any hitch on the part of Government. Section 42 of the Indian Legislative Rules reads as follows :

“ If a Resolution is passed in the originating Chamber recommending that a Bill should be committed to a Joint Committee of both Chambers, a message shall be sent to the other Chamber to inform it of the Resolution and to desire its concurrence in the Resolution ”,

and so on. So, Sir, that particular section provides for Joint Select Committees. On the other hand, section 29 of the Indian Legislative Rules debars us from making references to Joint Select Committees in this House when the Bill has already been referred to a Select Committee in the other House. Section 29 reads as follows :

“ Any member may (if the Bill has not already been referred to a Select Committee of the Originating Chamber or to a Joint Committee of both Chambers, but not otherwise) move as an amendment that the Bill be referred to a Select Committee, and, if such Motion is carried, the Bill shall be referred to a Select Committee, and the standing orders regarding Select Committees on Bills originating in the Chamber shall then apply ”.

So, Sir, section 29 clearly debars this House from making Motions for reference of Bills to Select Committees of this House, as all Bills that come from the Assembly do come after the report of the Select Committee. If this section exists, I think it is in the fitness of things that Government should take advantage of the other section, I mean section 42, and refer the Bills to Joint Select Committees if the Government have any respect for this House, because we as Members cannot make any Motions for reference of Bills to Select Committees. Sir, I find from the speech of the Honourable the Leader of the House—I have quoted two sentences—that he was nervous of alienating the sympathies of the other House when he opposed this Resolution.



**THE HONOURABLE THE PRESIDENT:** I do not think you are correct in drawing such inferences.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** Sir, I have moved this Resolution just to strengthen his hands, to show that if any objection is raised in the other House he and his colleagues can quote the Resolution passed in this House that the Upper House is desirous that their representation should be made at least on important Committees; and by this they will be dividing the responsibility by making such statement in the other House on the opposition of the Members of the Assembly. Sir, in the end I appeal to all the non-official Members, whether nominated or elected, that they should assert their right and pass this Resolution in this House to strengthen the hands of the Government as I have said.

With these words, I move.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Leader of the House): Sir, we had a debate on this subject very nearly a year ago. Certain observations I had made during the course of that debate have been quoted. The Resolution in that debate was moved by the Deputy Leader of the Party to which the mover of the present Resolution belongs. He was supported by some members of his own party and by some other Members of the Council. I had then placed before the House various aspects of the problem in the hope that it will be realized that there is no issue between the Members of this House and the Government on this subject; and having established that, Honourable Members will realize that there is nothing to be gained by reiterating a proposition the validity of which Government already accept. But unfortunately there is not as much clear thinking about this problem as it deserves and therefore Honourable Members feel that by repeating these arguments and by reiterating this proposition there is something to be gained either by the House or by Government. The latest argument advanced by the Honourable mover is this. Government is already converted to the view that what he wants the Government to do is the right thing to do. There is the other House which is obstructive and he thinks that as soon as this Resolution is passed here, I will, armed with this Resolution, proceed to the other House and tell them, "Here is the Resolution of the Council of State" and they will give way and everything will be all right. As Leader of this House nothing would please me better than to have such power in the Resolution of this House, which would enable me as a conquering hero to go to the other House; but constitutionally when one of my colleagues proceeds to move a reference to a Joint Select Committee and finds that the Assembly is not favourably disposed towards his proposal, will the fact that he can refer to this Resolution of this House make much difference, and for the matter of that, any difference? There is but one thing that can be done and it is by way of influences other than those which the Honourable mover of the Resolution contemplates. It is by constant association between the Members of the two Houses when they are in session in Delhi or in Simla that it is possible for them to so adjust matters that such opposition as may be offered to such a proposal can be overcome. After all, there is no sense in urging that Government refers Bills to Select Committee. The Government does nothing of the kind. Government only moves that a Bill be referred to a Joint Committee. The actual making of the reference to Select Committee lies in the hands of the Assembly and not of the Government. Therefore, when you say Government does not do that, are not you really misrepresenting the

position or at all events not comprehending the real position? What I tried to impress upon the Honourable Members last year was that Government has everything to gain and nothing to lose by any of its measures being referred to a Joint Select Committee. No one can put the claim of this House on a higher level than that. It is not to please you, it is not to give you something to do because you are unemployed, it is because Government believes, and I think rightly, that from its own point of view a Joint Select Committee is a much better proposition than a Select Committee of the other House only. Why? Because you claim,—and I am prepared to concede that claim,—that the amount of responsibility of his House is greater than that of the other House. In certain matters the vested interests of this House in various problems are greater than those of the other House. Again the knowledge of this House in certain matters is greater than the knowledge of the other House. Therefore, Government is perfectly justified in thinking that a Joint Select Committee in important measures, be they financial, be they legal, be they technical, is from its own point of view a much better proposition than a Select Committee of the other House only.

Surely, Sir, it is not contended that when Government feels that it is a good thing for Government to have a Joint Committee, it is so foolish that it will not have it? What for? To spite you? Surely not. Then what is it? There must be some reason for it. Knowing that a thing is good for it, if Government is not having it, why is it? Obviously because there must be some other thing which it loses, some counterbalancing thing, and it feels that it is not right for this gain to suffer another loss. No one wants to be in a relationship to the Legislature, whether Upper or Lower, which is not pleasing and which is not cordial. Would the Honourable Members sitting opposite advise Government to be at loggerheads with the Assembly on this question? Would they conscientiously do it? I am sure they would not. Therefore, when I say that whenever it is possible for my colleagues to persuade the leaders of various parties in the Assembly to agree to a Joint Select Committee, they have in the past done their best to obtain a Joint Select Committee and they are prepared to try for it now and in the future, it is up to the Honourable Members sitting opposite to do the rest.

Now, as last year, I can only try to impress on their minds that giving expression to bitterness of feeling does no good and may have reactions. Is it wise to do that? I distinctly hold it is unwise.

What has Government done for this House? Well, permit me to point out, Sir, that this House when it claims that it should have a Joint Select Committee on every important Bill, if it urges that the Assembly is bound to give that Joint Select Committee, it is reading into the constitution something which is not there. It is admitted that this House is really a higher House than the other which is the lower. Are they co-equals? Is this the Upper Chamber or not? Is this the Revising Chamber or not? Where is the justification of the title "the Honourable" and why has it been taken away from the Members of the Assembly? These things are not meaningless. (*An Honourable Member*: "It is a great satisfaction. Consolation rather.") It is not a matter of satisfaction. Is there any reason why the Members did not stand for election to the Assembly and stood for election to this House? Surely, you cannot take the good things of the world and refuse to take the unpleasant ones or the ones that you do not think pleasant, which are part and parcel of the good. If you are an Honourable Member of the Upper House, the Revising Chamber, the Honourable Mr. so and so, you have in certain matters privileges and rights and dignities which are not possessed by the other House. But with these there are also certain limitations.

[Khan Bahadur Mian Sir Fazl-i-Husain.]

But, Sir, apart from these advantages and limitations that I have hinted at, permit me to invite the attention of the Honourable Members to one thing that Government should have done and has done. In every session, Sir, Government provides the same number of days for non-official business as are provided for the Assembly. Has any one prevented the Honourable Members of this House from proceeding with private legislation if they were so inclined? This House has exactly the same number of days for non-official business as the Assembly. You want to be put on the Joint Select Committee on important Bills. Well may Members of the Assembly ask where is the table of private important Bills of the Council? Who is going to prepare them for you? There are the days waiting for you throughout the session. Well, this is not the fault of Government in any way. Whether you want private Resolutions, private Bills, questions, there you have absolutely equal facilities with the Assembly.

I trust, Sir, I have made it absolutely clear that what some of the Honourable Members of this House do not like in the matter of the Joint Select Committee are certain limitations which are part and parcel of their superior position, the position of the House, its dignity or privileges, whatever it may be called; that if there were no difference, then there would be two Houses of equal status and this is not the position nor was it ever contemplated; that there is a provision in the constitution for bringing the two Houses together, provided they were desirous of coming together; that it is the duty of Government Members to take steps to bring them together as far as possible. That, I assure the House, is invariably attempted. Even during the course of the last week, an Honourable colleague of mine occupied himself in ascertaining the chances of securing a Joint Select Committee. He has no power to force the hands of the Assembly. But, as I told you before, it is obvious that if the Government could get a Joint Select Committee, it would. Therefore, there is no need for me to dwell at any length on that point.

I trust, Sir, that having done my best to place the case in a fair and simple manner before the House I cannot do better than leave the matter in the hands of the House with a view to deciding, firstly, whether anything is to be gained by passing a Resolution or recommendation to Government knowing perfectly well what the view of the Government on the subject is and what it has been actually practising; secondly, whether anything is to be gained by repeating this controversy which is not really between the House and the Government; and, thirdly, if my humble advice is not acceptable, not to discuss the matter year after year but to cultivate such relationship with their fellow legislators of the other House as would help Government to secure Joint Select Committees to a larger extent than they have been able to secure in the past.

With these words, Sir, I trust the Members will excuse me if I have this year been more definite in placing the case of both sides before them than I was last year.

THE HONOURABLE SAIYED MAHOMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, much as I am in sympathy with the object of the Honourable mover, I am afraid I shall have to oppose him in view of what has just been said by the Honourable the Leader of the House. Sir, I perfectly agree with the Honourable mover in thinking that this House should not be neglected and that the rights and privileges of this Council should never be lost sight of. Sir, I perfectly agree with him in thinking that the participation of this House in the Select Committee stage of important Bills is bound

to prove of great help and value in the work of those Committees. But, Sir, I cannot agree that our right to participate should be pressed on each and every occasion that any important Bill is brought up in that House and that we should press this right without any regard to the chances for the smooth passage of the Bill. Sir, if I had the least doubt that the failure of the Government to satisfy this House in their desire to participate in Select Committees was due to the fact that the Government were oblivious of the importance of this House or that they felt that the co-operation of this House in Select Committees would tend to have an undesirable effect on legislation,—if I had these doubts, Sir, I would certainly have been the first to accord my whole-hearted support to this Resolution. But, Sir, experience shows that this is certainly not the case. Experience shows that on occasions, whenever it was felt that the participation of this House in Select Committees would facilitate work and would bring a more useful influence to be exercised on the moulding of the measure, this House has always been given an opportunity to co-operate in the Select Committee stage. Sir, only last year this House was given an opportunity to collaborate with the Members of the other House in formulating proposals for the starting of a Reserve Bank in this country. As has been said by the Honourable the Leader of the House, on occasions when important matters come to be discussed for legislation, when questions of high finances, questions in which the Honourable Members of this House are expected to have more experience and more intimate knowledge, are dealt with, this House has always been made to participate in Select Committees.

Sir, the unwillingness of the Honourable the Leader of the House to give offence to the other House does not in my opinion indicate any nervousness but on the other hand it shows the good sense and moral courage in realizing facts. Sir, it shows really moral courage for one to admit that notwithstanding the fact that this House has got its extraordinary privileges and dignities as a Second Chamber, it has also got its limitations. Sir, it does credit to the moral courage and the good sense of the Leader of the House to point out that it would not redound to the credit of this House that Motions should be made in the other House for including Members of this House on Joint Select Committees with no chance of their being carried, that it would not redound to the credit of this House to be refused to be allowed to participate with them on Select Committees even in spite of the fact that this House has unanimously passed a Resolution and expressed a desire in that respect and the Government have accepted the Resolution to the effect that there should be these Joint Select Committees. Sir, in view of the fact that it is not advisable nor creditable on our part to try and foster a feeling of bitterness between ourselves and the other House, I would request the Honourable the mover of this Resolution to withdraw it. In view of what has been said by the Honourable the Leader of the House it is evident that he realizes the importance of this House, that he is in perfect sympathy with the object of this Resolution but owing to practical difficulties he is not in a position to accept it in the way it is worded. I therefore request my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra to withdraw this Resolution in view of the assurance given by the Government.

**THE HONOURABLE SIR PHIROZE SETHNA** (Bombay: Non-Muhamadan): Mr. President, the Honourable the mover of this Resolution has thought fit to bring it forward immediately after the requisite period of a year has expired after an identically similar Resolution was moved in this House on 6th March, 1933. He must have good reasons for the same and I suppose there are others who hold the same opinion as himself. As Members of this House, we are naturally anxious that its interests should always be maintained,

[Sir Phiroze Sethna.]

and we look to seniors like our esteemed Leader, as also yourself, Sir, for guidance in this matter. If I may be allowed, Sir, to refer to you personally, during your long connection with the Council of State you have invariably endeavoured to advance its best interests. (Applause.) And now that you have been elevated to the Presidential Chair you are trying to do yet more, to judge from a speech which you made only last Tuesday not in this House but at a social function outside. If I may be permitted to quote from your speech —

THE HONOURABLE THE PRESIDENT: May I remind the Honourable Member that it is not the usual Parliamentary practice to refer to speakers' utterances outside the Chamber.

THE HONOURABLE SIR PHIROZE SETHNA: If you so desire it, Sir, all I will say is that we are thankful to you for what you did say on the occasion. I will not refer to it any further. I am thankful to the Honourable the Leader of the House also for referring to the Council in the manner he did today. But, Sir, he advised us that it would be preferable in the interests of the two Houses if this Resolution was withdrawn. I was not present when the Resolution was moved on the 6th March, 1933, but I will quote from the speech of the Honourable the Leader of the House on that occasion the following sentence:

"I trust the Honourable Member will be satisfied with the assurance that I have given him that it is but right that the Government should try and have a Joint Select Committee as far as it sees it can possibly be done and not press it if there is controversy about it, etc."

I have quoted this sentence to show that, as the Honourable Sir Fazl-i-Husain has told us this morning, Government themselves are anxious to place such matters as they want to and as they can before a Joint Select Committee. May we then ask the Honourable the Leader, that is, if the facts as placed before the House by the mover of the Resolution are correct, that, whilst up to 1927 there were several instances of references made to Joint Select Committees why is it that since 1927 this procedure was altogether dropped until last year when the Reserve Bank Bill was referred to a Joint Committee of the two Houses? Surely there must have been some reason. Was it because of any opposition from the Lower House? If there was opposition from the Lower House, what is the cause of such opposition? The Honourable the Leader states that this Resolution would serve to embitter the feelings of the two Houses. Have we done anything to bring about any disagreement between the two Houses? I understood the Honourable Member to say we ought to resort to other influences, namely, constant association, to adjust matters between the two Houses. I submit to the Honourable Sir Fazl-i-Husain that the appointment of Joint Select Committees is the very remedy which he himself has suggested, namely, constant association. If Members of the two Houses work jointly in Select Committees they will be able to understand each other better, and, as the Leader himself has pointed out, it will save the time of Government afterwards, because the views the Members of this House on the Select Committee will express will be such as will be accepted, I hope, *in toto* by the rest of the House, when the Joint Select Committee's report comes before it—

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Surely the Honourable Member cannot misunderstand me? There is such a thing as courtship preceding marriage.

**THE HONOURABLE SIR PHIROZE SETHNA :** There is no necessity for courtship in this case. A marriage has been established for the last 12 years and the marriage has been a happy one. We want to know why they do not want to work with us and it is for the Honourable Leader to tell us that. Therefore, Sir, I put it to the House that this "constant association" which he suggests does exist and it is for Government to foster it and to foster it by appointing Joint Select Committees. If they do that I am sure there will be a better understanding in the future which my Honourable friend Sir Fazl-i-Husain thinks does not exist at the present moment.

The Honourable the Leader said that if we pass this Resolution it will be tantamount to issuing orders to the Legislative Assembly. Nothing of the kind. It is only a recommendation to the Governor General in Council and that too in respect only of important Bills. Now, Sir, take the Bill that is moved today in the other place but I do not know if that House is sitting today. This Bill is known as the Indian Tariff Protection Amendment Bill. Can this House conceive that this Bill is not important? The Honourable the Leader himself admits that the responsibility of this House and the knowledge of Members of this House is perhaps greater than that of the other House. Then, Sir, may I ask him whether the presence of Members of this House on the Select Committee of that Bill, if it is referred to a Select Committee, would not be a very great advantage to the Legislature and a great saving of time to Government themselves?

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** And advantage to Government.

**THE HONOURABLE SIR PHIROZE SETHNA :** Exactly. Therefore, if the Honourable the Leader assures us here today, that although that Bill will not be sponsored by him in the Assembly, he will try to prevail upon his colleague the Member in charge in the other House to recommend that this Bill should be referred to a Joint Select Committee, I would certainly ask my friend behind to withdraw his Resolution. It does not matter if the Assembly will agree or not. We want to be sure of the intention of Government to refer Bills of this sort and of this importance preferably to Joint Select Committees of the two Houses.

**\*THE HONOURABLE SIR KURMA VENKATA REDDI (Madras : Nominated Non-Official) :** Sir, there seems to be some unfortunate misunderstanding between the two sections of the House. To my mind it appears that there is not much difference between the two views. The Honourable the Leader of the House did not dispute the facts stated by my friend Mr. Mohrotra. On the other hand, if I understood him aright, he was in entire sympathy with the object of the Resolution, the difference lying only in regard to the method by which the object is to be achieved. But, at the same time, we will have to take the consequences of anything like a definite Resolution like this. That the Resolution is well meant and is well supported and that the Members of this House would be glad to sit in Joint Committee with the Members of the other House, nobody will deny; but where a desire is expressed on the part of the other House not to accept any such suggestion what will be the consequences except a deadlock? Suppose the Government accept this Resolution and they go to the other House and ask them to have a Joint Committee for any particular Bill. If the other House agrees, well and good. But if the other House does not agree, what will be the consequence? The Bill

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\* Speech not corrected by the Honourable Member.

[Sir Kurma Venkata Reddi.]

will have to be dropped. (*An Honourable Member*: "No".) It has got to be. The House cannot get on with it if they refuse the reference to a Joint Select Committee. The only consequence will be, if Government want to pass the Bill, they will have to get it certified and take it to the other House and have it passed as a recommended Bill. They will in fact have to import the other remedies laid down under the Act. Is it wise and is it right to press that, especially when the Honourable the Leader of the House is perfectly willing and ready to help us as far as lies in his power? That is the only point to be taken into account. If the very object of the Resolution were opposed by the Honourable the Leader of the House, then there would be reason for complaint on our side. But I think we are both agreed that in all cases where it is necessary to have a Joint Committee Government will try their best to induce the other House, or we will ourselves approach the Members of the other House and try to see—(*An Honourable Member*: "Canvass them?") By all means. There is nothing wrong about it. We have all done it, at least the elected Members have done it, and that is the meaning of the word "lobbying." We always do that.

What I would respectfully submit to this House is this. This is a matter which has got to be settled by co-operation and goodwill between the two Houses and no purpose would be served by pressing this Resolution to a division. In the first place, it is possible that it may not succeed. In the second place, even assuming that it succeeds, Government are not bound to accept it, because, after all, our Resolutions have not the force of law; they are not binding on the Government.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Why then has Government opposed this Resolution?

THE HONOURABLE SIR KURMA VENKATA REDDI: I do not believe Government have actually opposed it. They are trying to conciliate us; they are trying to bring about a conciliation between this House and the other House. You will have seen that from the very first sentence of the Honourable the Leader of the House. If I am not mistaken he said, "There is no issue between us". I think I am right in saying that the Honourable Member clearly stated that there is no issue at all in this matter. So the best thing will be for us, if I may say so with great respect to both sides, that we should manage this matter in a very conciliatory and friendly spirit.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, I do not think it is necessary to elaborate the reasons for bringing forward this Resolution at the moment. All I intend to say now is that we had a period of one year in which to see how far the promises of the Government have been carried out in effect and how far there was simply lip sympathy. During that period important pieces of legislation were placed on the Statute-book, but the only Bill which was referred to a Joint Committee was the Reserve Bank Bill, and this too was done because the former 1927 Bill had been referred to a Joint Select Committee and it was thought advisable that the same procedure should be adopted this year. But other measures of equal importance were introduced in the other House without any reference being made to our House. A colleague of mine, the Honourable Mr. Miller, during the discussion of that Resolution last year, made a very good and constructive suggestion. That suggestion was that more Bills should be

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\* Speech not corrected by the Honourable Member.

referred to this House. I hope, Sir, that the Government will at least follow that advice. If we were the originating Chamber of important Bills, then it would be in the interests of the Assembly itself to see that Joint Select Committees are formed on all Bills; but it is a one-sided game. All the important Bills—for the matter of that practically all Bills—originate in the other Chamber and we are shown the cold shoulder. Sir, it is rather strange that the Honourable the Finance Member in 1927 should have shown more solicitude for the rights and privileges of this House than is shown by some of the Members at least. We are told that Government is not the authority which forms Select Committees. It is the Assembly which forms them; the Government simply makes a Motion. Constitutionally that is a correct reading of the affair, but we know the realities; we know how the land lies and how far the mere fact that the Government wishes to force a thing through the Assembly carries weight there. Time was, Sir, when there was a great deal of difference between this House and the other place, but at the present moment times are changing and I may say that the rivalry now is not in who is ready to oppose the Government, but who is more ready to swallow bitter pills; and perhaps the Government find that they do not require the support of this House, because they have got clear ground even there and therefore they do not feel called upon to refer Bills to Joint Select Committees. I must point out two of the last measures which were referred to Joint Select Committees. In the year 1927 the members of the Joint Select Committee showed great appreciation of this House by electing a distinguished member of my party as the Chairman of the Joint Select Committee. That shows that we are not taboo to the Assembly, and in the last Joint Select Committee I pointed out that out of the nine gentlemen who had given their unqualified support to the measure five were Members of the other House and only four were Members of this House. Government say that people have objected to references to Joint Select Committees. Are we to take it as a definite rule that Government will withdraw all those motions as soon as objection is taken in the Assembly? That would be a very good day, Sir, if the Government were to be so reasonable as not to wait for a majority but to withdraw the measure simply on account of the fact that an objection has been taken. Then, we, Sir, will be the first persons to ask that no Bill should be referred to a Joint Select Committee. But has the Government acted up to that? Do we not remember what happened in the case of the Ordinance Acts and the Ottawa Pact? Were there not Opposition Leaders? Did that have any effect on the Government? They forced the measure through. The Government do not wish to be at loggerheads with the Assembly. That shows the amount of respect they have for the other place and that exactly shows the amount of respect which they have for this House. They can be at loggerheads with this House, but they cannot afford to be at loggerheads with the other House, and this has been done simply because of the unreasoned support which sometimes some of us have given to the measures which the Government has brought forward. We did this because some of us readily believed that by this they will be enhancing the prestige of this House, but it seems that man proposes but it is God who disposes. Sir, we do not wish to make it a sort quibble between the two Houses, but what we do insist on, Sir, is this. Place us on an equal position at least. Make reference of important Bills to this House too, and then we can stand on equal terms: then we can settle up. It is all a one-sided affair, and no where in the world can one-sided pulling end, except in the defeat of the one who has got nothing to hold on to.

Now, as regards the definite proposal before us, as I said last year, we have left the words "important Bills" indefinite. It is elastic. On every occasion



[Mr. Hossain Imam.]

the Government has the discretion to say that this Bill was not thought to be of sufficient importance to be referred to a Joint Select Committee. We have purposely left this loophole for the Government, so that it may not be compulsory on the part of Government to move each and every Bill to a Joint Select Committee; we are not anxious for that, but as my Honourable colleague, Sir Phiroze Sethna, has pointed out, there are measures in which it would have been advantageous if this House had been associated. There is another thing which I wish also to emphasise. The reason why Joint Select Committees are not very much approved by the other place is that in selecting the personnel Government try to swamp these committees by their own selection.

THE HONOURABLE SIR KURMA VENKATA REDDI: Does it rest with the Government? Is it not the duty of the Assembly to select Members for Select Committees?

THE HONOURABLE MR. HOSSAIN IMAM: The standing majority which the Government enjoys in this House makes it, though possible, a proposition which is not practicable—to force any measure against the Government and we never had a chance. Sir, the names are read out by the mover of the Resolution and if a majority is found to oppose that and to ask for inclusion of other persons in substitution of them, then and then only can we be held responsible for the personnel of the Joint Select Committee. At the moment, Sir, we lose in two ways. There is a saying, Sir, about giving a dog a bad name and hanging him. We have been given a bad name in the beginning and now when it comes to concrete examples the Government still persist in their old ways and do not move with the times. And if we had in the Joint Select Committee a more independent element, I am sure that, as Sir Phiroze Sethna has suggested, our relations by constant coming into touch with the Members of the other place would be better and there would be good feeling between the two Houses.

Sir, with these few words, I support the Resolution.

THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, I rise to oppose the Resolution moved by the Honourable Mr. Mehrotra and associate myself with what has been said by the Honourable the Leader of the House and the Honourable Mr. Padshah in opposition to the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, my Honourable friends Sir Phiroze Sethna and Mr. Hossain Imam and the Honourable mover of the Resolution have dealt with the subject-matter in a very exhaustive manner. I will not take up much time of the Council but I want only to narrate a fact to this Council with reference to the remarks of the Honourable the Leader of the House, that the Government will try to get the appointment of a Joint Select Committee carried in the other House. Sir, it is a fact, which even Government cannot deny, that whenever Government is determined to carry a measure in the other House, it does carry it with a very heavy majority and even when the leaders of the various parties and their followers oppose it tooth and nail. That is a fact which cannot be denied, particularly in the case of the present

Assembly. Therefore, Sir, I can assert that if the Government moved and made an effort in the other House to get this proposal through, it could get it through without much difficulty. Where there is a will there is a way.

**THE HONOURABLE MR. BIJAY KUMAR BASU** (Bengal : Nominated Non-Official) : Sir, I do not want to detain the House for more than a few minutes. I find that there has been, if I may say so, an attempt to cloud the issue. Really the issue is not between the Government and this House but the real issue is between the other House and this House. (*An Honourable Member* : "How ?") I will just try to explain if you will allow me the time to do it. As a matter of fact, you remember, on the day when the Reserve Bank Bill and the Imperial Bank of India Bill were referred to the Joint Select Committee, I said—I am just quoting from the speech that I made then—I said :

"It seems to me that we should be grateful for the gracious goodwill of the other House—(*mark the words*)—that we are at all able to discuss this proposal for the Joint Committee. I purposely refer to this matter as I heard only the other day in the lobby of the other House, and it looked at one time as if the Members there did not consider it worth their while to have representatives from this House on the Committee. Some of them suspected—(*and I challenge them to say that it was otherwise because up to now there has been no contradiction of this statement*)—that the addition of Members from this House on the Committee would render the Committee subservient to the wishes of the Executive Government—(*that is what they suspected*)—while others thought that the Members of this House were hardly competent to deal with the Bill".

I strongly and emphatically protested then, as I protest now, that there is nothing in this statement. At the same time, it is an index to show with what eye the other House looks on us. I do not want to go imploring them to take us into the Joint Select Committee because I consider it humiliating for this House to do so, and I would strongly advise my friends not to take up a position which can possibly be felt as humiliating.

**THE HONOURABLE MR. HOSSAIN IMAM** : Is it special pleading ?

**THE HONOURABLE MR. BIJAY KUMAR BASU** : If I may say through you, Sir, to the Deputy President of the Progressive Party, it is not a case for special pleading. That is how I feel. After all, what is the use ? My friend the Deputy Leader of the Progressive Party as well as myself and twelve other Honourable Members of this House had the opportunity of sitting on a Joint Select Committee. They must have observed how the parties there, if I may say so, the team of the other House, fought us not on principle but fought against us simply for the purpose of fighting against us. We have found that even when our proposals in certain matters did meet with their approbation, even then there was very tardy support. There were wordy warfares which, I think, we ought not to refer to at the present moment, and which were anything but complimentary to either House.

There is another point. The Honourable the mover of the Resolution said that it would be advantageous for the Members of this House if some of us were on Select Committees on Bills because the Members sitting on the Select Committee would have a chance of explaining the position to the other Members when the Bill emerges from Select Committee. But may I remind my Honourable friends that proceedings of the Select Committee are always considered confidential and are not to be repeated outside. People who do that infringe the convention which has been established not only here but in the Mother of Parliaments. It is therefore the attitude of the other House towards this House that we have to fight.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** How can we fight with the other House ?

**THE HONOURABLE MR. BIJAY KUMAR BASU :** If we cannot fight, then we have to go to the wall. If we can, then we can get what we want. We ought to make it up with the Assembly if we can. If we can fight with them and win their loyalty that is the proper way of doing it and not by approaching them in any humiliating way. Anyway, Sir, this is not a question that is really between us and the Government. The Honourable the Leader of the House put it rather high when he said the Government has everything to gain and nothing to lose by having this House associated with the other House in Joint Select Committees. I personally do not appreciate his point, but it makes the meaning perfectly clear to us, and that is perhaps the attitude of Members of the Government towards this House and that explains the attitude of the Assembly towards us. As I said, they do consider and perhaps believe that the Members here are subservient to the Executive Government.

**THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative) :** Sir, I wish to put in a word because I have some experience of this matter myself. What is the ground on which this fight is being fought ? Is it covered by any rule or regulation or law ? At present the attitude seems to be to throw the responsibility on somebody else except yourself. This House say that the Government are concerned ; the other House say that we are subservient and that they are not concerned, and Government say it has got nothing to do with it. All that I am willing to admit for the sake of argument. Where is the fight then ? On what ground is the fight going on ? I have been trying to see what is the particular position which is unoccupied at present and which we can take and hold. It must be the position which is not covered by the rules of this House and the position which is not covered by the rules of the other House and also by the rules and regulations on the subject. What is that position ? Who is master of that ? It is in ordinary language called no man's land. Both sides are throwing bombs and shells at each other and the land lying in between them has to be fought for. They think that we ought to make the move, and we think that they ought to make the move, and whoever goes in here takes the risk of dying. Each thinks that the other should take the risk. That is how the position stands. I realized this position a long time ago. When the Criminal Procedure Code was being amended—I am not sure that many of my Honourable friends were here then—that Code was being revised as there were various objections. I was one of the people who raised objections. Then an assurance was given on behalf of the Government that a Joint Committee was going to be appointed and that all these objections would be considered. That led to my expectation that I would be put on the Joint Committee. As a matter of fact everybody else was put in, but I was omitted. I was going into this lobby and that lobby and the lobby of the Committee and looking at things. One of the Members thought that I was a member of the Committee. He came out and asked, " Khaparde, what do you think about this ? " I said, " My friend, don't you make a mistake. Yours is a confidential body. I am outside it ". On that day I considered the whole matter and came to the conclusion that this matter cannot be settled until one of my friends were able to bring in a small Bill and send it to Government for being considered, trying to meet all these three positions and framing rules, specifying the subjects on which a Joint Committee ought to be appointed

and giving discretion in other respects to Government to call a Joint Committee when necessary. This is my suggestion, Sir. We need not throw stones at them nor need they throw stones at us here.

**THE HONOURABLE MR. BIJAY KUMAR BASU:** They throw mud.

**THE HONOURABLE MR. G. S. KHAPARDE:** Well, mud does not stick. The proper remedy is to frame a small Bill if anybody will do it and then to discuss it. Until then, all this is more talking for a long time.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay: Nominated Non-Official):** Sir, may I offer a suggestion? It is that the Leaders of Parties in both Houses should combine into a small conference to get over the present impasse.

**THE HONOURABLE THE PRESIDENT:** At present we have got this Resolution before us.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** Sir, I regret that this Resolution has been opposed by two or three non-officials, whether elected or nominated, which I never expected. The Government sticks to what they said last year. A definite question has been put to me by the Leader of the House as to why this Resolution has been repeated just after a year of the previous Resolution. I would submit that it is because we find that throughout the year Government have not acted in the spirit of the Resolution and the reply the mover of the Resolution received on the last occasion. I would remind the House that more than two or three dozen Bills have been placed on the Statute-book during the year and out of these, there were two or three very important Bills on which it was necessary to have a Joint Committee, but they were not so referred. For instance, the Medical Council Bill was a very contentious Bill and no representation of this House was made on the Select Committee. Then, the Indian States Protection Bill, which will be coming before this House, had no Joint Select Committee. Were these Bills unimportant? Was it not required that on such Bills this House ought to have been represented? Then, Sir, on the Tariff Bill, no Motion for Joint Select Committee was made. My Honourable friend Sir Phiroze Sethna said that this was rather an important Bill and no representation of this House was given. I do not talk of the other dozens of Bills that came from the other House. But when important Bills come up and we have had no representation, we have no other remedy but to repeat what we said in 1933. That is the reason why I have moved this Resolution just after a year.

Then, Sir, the Resolution which was moved last year and was opposed and negatived, was defeated by 20 to 17 votes. If the Resolution had been carried there would have been no necessity for us to bring it up again. But when it was defeated by a narrow majority, then we thought that Honourable Members, after considering that the treatment of the Government has been practically the same as in previous years, would accord their whole-hearted support if the Resolution was brought forward again. Sir, the Honourable the Leader of the House has said that an equal number of non-official days are given to this House and the other House, and he has asked why Members are not bringing forward private Bills. Situated as we are, we know that there is absolutely no chance of getting through any measure in this House and it is only to kill time that we put up a little fight. Government have got, I may say, a statutory majority and we know to what fate our Resolutions and Bills

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

will meet. Therefore we have not thought it proper to spend much time and labour on those Bills. My question was only about Government Bills. If the Members have not taken advantage of moving private Bills, why should not Government call a Joint Committee on their important Bills? That is our grievance.

Then, Sir, it has been said that it is better to go to the lobby of the other House, and canvass for Joint Select Committees. My Honourable friend Mr. Bijay Kumar Basu when he rose to speak said it is very humiliating to do such canvassing, but at the close of his speech, he said that it was better to make up with the other House. I could not understand the logic of the two statements that he made during the course of his speech. I agree with his former statement that it is certainly humiliating to go and canvass the other House to have representation of this House.

THE HONOURABLE MR. BIJAY KUMAR BASU : May I explain ?

THE HONOURABLE THE PRESIDENT : It is a personal explanation ?

THE HONOURABLE MR. BIJAY KUMAR BASU : Yes, Sir. I have been accused of making a contradictory statement. My personal explanation is this that you can stand on your dignity and you can make the Assembly carry out your wishes instead of going and canvassing them humiliatingly.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, may I ask from the Government what were the occasions on which the Government wanted to refer important Bills to a Joint Select Committee and the Assembly stood in their way? As far as we know and as far as the records show, it was only once in 1927 that the Motion was opposed when Mr. Jamnadas Mehta objected, and even then, Sir, as the Government wanted to refer the Bill to a Joint Select Committee they carried the Motion without a division. So, as the Leader of the Opposition has said, wherever there is a will there is a way. Whenever the Government would like to have this House represented in Select Committee they will certainly carry it in the other House, even against the opposition of Members. Therefore, Sir, as no definite assurance has been given, I am not in a position to withdraw the Resolution.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Just a few words, Sir. I have been asked what proof is there that Government has tried to obtain a Joint Select Committee and has failed? That is the question. What the Honourable Member really asks is, not whether there is any proof but whether there is any *recorded* proof in the minutes of the Assembly. My position has not been that Government moves for a Joint Select Committee, has the Motion negatived and then proceeds to business. My position has been that Government tries to find its way to get a Joint Select Committee before it makes up its mind to place a Motion to that effect before the House, and when it finds that it cannot then it does not persist with it just in order to have an issue raised in the Assembly and have it either carried or negatived. I do not think this is such a difficult matter to understand that I need dwell on it at any length.

The second point to which I might refer is that one of the Honourable Members who supported the Motion said Government is not anxious to have joint Select Committees because it feels that the Members of this House on the

whole are more likely to oppose Government's measures than the Members of the Assembly. That was what the Honourable the Deputy Leader of the Opposition said; and he proceeded to say that in the past the position was the reverse of this. The mover of the Resolution proceeded to complain against the very constitution of this House and said that it is not suitably constituted wherein what he considers the right legislation can be passed. I really do not know how to reconcile these two positions, whether this House has become so advanced and so extremist as to make Government change its opinion and consider it undesirable to recruit half a Select Committee from this House to consider its legislative measures, or whether to believe the mover of the Resolution when he says that this House is so defective in its constitution that there is no chance for any measure of reform or any other measure which he thinks for the good of the country being passed here. Personally, I think both these statements are wrong, that both the statements are undignified and that no statement which reflects in such a vague and undesirable way either on this House or on the other House should not be lightly made. In fact, they should not be made at all. We should be very careful in throwing stones at others because they can also return some of the courtesies to us. The Members of the other House may well say that the Opposition in the Council of State, living as they do in very delicate glass houses, are not justified in throwing big stones at them. However, it is for the Opposition to consider in future whether they should exchange such courtesies with the Members of the other House or not. My advice as Leader of the House is that it is not right to do so.

I still feel, Sir, that it will serve no useful purpose to pass a Resolution like this. Government cannot do more than what I have indicated today and indicated last year. Government is doing and will continue to do all it can in exploring the possibilities of securing a reference to a Joint Select Committee without creating friction. That is the best thing I can do. We should be satisfied with the constitution we have got, hope for the best possible constitution after the Reforms and give up the idea of getting more than the constitution actually yields; and try to do the best we can under the existing constitution. Within that limit the House may rest assured that its interests are safe, not only in your hands, Sir, but I will also be ever ready to do my best to protect them, nay, to advance them.

**THE HONOURABLE THE PRESIDENT:** Resolution moved:

"This Council recommends to the Governor General in Council to direct the Government Members in charge of important Bills to move for reference of their Bills to Joint Select Committees of the two Chambers."

The Question is:

"That that Resolution be adopted."

The Council divided:

AYES—10.

Banerjee, The Honourable Mr. Jagadish Chandra.  
Dutt, The Honourable Rai Bahadur Promode Chandra.  
Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.  
Kalikar, The Honourable Mr. Vinayak Vithal.

Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.  
Naidu, The Honourable Mr. Y. Ranganayakalu.  
Ram Saran Das, The Honourable Rai Bahadur Lala.  
Sethna, The Honourable Sir Phiroze.  
Sinha, The Honourable Kumar Nripendra Narayan.

## NOES—30.

Basu, The Honourable Mr. Bijay Kumar.  
 Charanjit Singh, The Honourable Raja.  
 Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.  
 Commander-in-Chief, His Excellency The.  
 Devadoss, The Honourable Sir David.  
 Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.  
 Ghosal, The Honourable Mr. Jyotsnath.  
 Ghosh Maulik, The Honourable Mr. Satyendra Chandra.  
 Habibullah, The Honourable Nawab Khwaja.  
 Hafeez, The Honourable Khan Bahadur Syed Abdul.  
 Hallett, The Honourable Mr. M. G.  
 Jalan, The Honourable Rai Bahadur Radha Krishna.  
 Johnson, The Honourable Mr. J. N. G.  
 Kharparde, The Honourable Mr. G. S.  
 Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.

Mitchell, The Honourable Mr. D. G.  
 Mitha, The Honourable Sir Suleman Cassim Haji.  
 Noon, The Honourable Nawab Malik Mohammad Hayat Khan.  
 Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.  
 Pandit, The Honourable Sardar Shri Jagannath Maharaj.  
 Parsons, The Honourable Sir Alan.  
 Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.  
 Reddi, The Honourable Sir Kurma Venkata.  
 Russell, The Honourable Sir Guthrie.  
 Souter, The Honourable Mr. C. A.  
 Spence, The Honourable Mr. G. H.  
 Sprawson, The Honourable Major-General C. A.  
 Stewart, The Honourable Mr. T. A.  
 Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.  
 Varma, The Honourable Mr. S. P.

The Motion was negatived.

## RESOLUTION *RE* ECONOMY ON STATE-MANAGED RAILWAYS.

THE HONOURABLE THE PRESIDENT: I would ask the Honourable Mr. Hossain Imam to read his Resolution, so that he may not lose his priority, but he will address the House on the next non-official day.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, I beg to move:

"This Council recommends to the Governor General in Council to form a Committee of Experts and Members of the Central Legislature for each of the State-managed Railways separately to investigate into and report on measures of economy."

THE HONOURABLE THE PRESIDENT: I was about to announce that the election of two Members to serve on the Court of the Delhi University would be held this afternoon immediately after the Council meeting, but in view of the opinions that I have ascertained from some Honourable Members, I will postpone this election till the 14th instant.

The Council will now adjourn.

The Council then adjourned till Eleven of the Clock on Wednesday, the 14th March, 1934.







## COUNCIL OF STATE.

*Wednesday, 14th March, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### MEMBER SWORN :

The Honourable Mr. Andrew Gourlay Clow, C.I.E. (Government of India : Nominated Official).

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### RESOLUTION *RE* ECONOMY ON STATE-MANAGED RAILWAYS.

\* THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, the Resolution† which I moved on Monday was about the formation of a Committee of Experts and Members of the Central Legislature for each of the State-managed Railways separately to investigate into and report on measures of economy. This Resolution I have brought forward, Sir, in order to concentrate the attention of the Government and the public on the conditions prevailing in the railways. When the retrenchment movement was started in 1931 the Government formed a committee to report on retrenchment on the railways. The report was submitted in October, 1931. The Government at the time of the budget issued to us a memorandum showing what action they had taken on the report of the committee. After that, in the course of the year 1932 the Government again did something. They retrenched some of the staff—about 9,000 posts—to effect further economies. But, Sir, the Retrenchment Committee which sat made their investigations in the usual way. They simply made inquiries at the headquarters of some of the centres. They recommended that an expert committee should be formed which should investigate what further economies could be effected. The Retrenchment Committee had recommended a saving of Rs. 75 lakhs out of which the memorandum took into account economies of Rs. 24 lakhs only and the rest which amounted to Rs. 51 lakhs were left over for consideration later on. This shows that the inquiry made by the Retrenchment Committee was neither thorough nor have the Government explored even those items which were recommended by the Retrenchment Committee. The economies for which the Government has taken credit are only Rs. 21,22,000 from the recommendations of the Retrenchment Committee. I, of course, exclude the Rs. 2,25,00,000 which have been taken up by cuts in salaries because we have been told that that is not a permanent measure of economy and we are always reminded that at any moment that

\* Speech not corrected by the Honourable Member.

† “This Council recommends to the Governor General in Council to form a Committee of Experts and Members of the Central Legislature for each of the State-managed Railways separately to investigate into and report on measures of economy.”

[Mr. Hossain Imam.]

out may be withdrawn. At the present moment, Sir, this cut has also been reduced, since, owing to the fact that Government have halved the cut, it has only allowed for Rs. 1,12,00,000 now. I was surprised, Sir, when we were so anxious to do everything, the report issued by the Railway Board should contain no reference to what the Government is doing in this connection. This shows that the Government do not now attach the same importance to retrenchment which they ought to attach. Sir, there are specific recommendations of the Retrenchment Committee which has also been disregarded. I refer, Sir, to paragraphs 160 and 162 of the report of the Committee. In the superior staff, at the conclusion they say that in both cases the possibility of further reduction is under examination. We have been waiting to hear what the Government has done. Sir, in paragraph 162, they say that without examining the question in detail we cannot say what particular posts are redundant at present. We expected, Sir, that detailed inquiry would be made in all the railways, the present conditions in which are not at all uniform. Some have got the divisional system and some have the traffic superintendent system, in which one man is in charge of all the departments. There ought to be more uniformity. Their specific recommendation in paragraph 163 was—and they have printed it in block letters to emphasize its importance—

“ Railways should in our opinion not have a bigger staff seeing that the traffic is likely for several years to be considerably less ”.

Sir, they also recommended in paragraph 190 against too much expenditure from capital. They were very vehement about this point. After pointing out how the capital has increased during the seven years' period of separation they concluded :

“ This has contributed to a great extent to the condition in which the railways find themselves at present ”.

We consider that this ought to be a lesson to the Railway Board in future. As long as there was stringency in the money market and the Finance Department was unable to find money for the railways they cut their capital expenditure but with the easing of the money market they again embarked on capital expenditure, not on the ambitious scale which they used to do in former years but at least unnecessary capital expenditure. Sir, after this Committee had reported Mr. Pope was invited from England and he started investigating the technical side of the business and he gave a voluminous report showing what should be done in order to reduce cost. It is more connected with the working of the railways as far as their operation is concerned than anything to do with the overhead staff at headquarters or the staff at the divisional centres. The report which covered a good deal of space was not circulated to us. The effect of this inquiry is not known as to whether there has been any gain from it or not. They only mention that they have seen the report, that the Pope Committee has made inquiries and as a result thereof job analysis is going on. They also recount some of the recommendations of the Pope Committee. But no mention is made either in the Railway Board's report or in the speeches of the Honourable the Commerce Member or the Chief Commissioner for Railways as to what action is being actually taken by the Government and what savings are expected in this year. They have laid great stress on the better utilization of rolling stock, especially of engines. I was told during the budget discussion that Government have purchased only seven engines on the capital account. But we find that the actual

mileage of all the engines is getting less and less every day. The ton mileage is also falling. What is the necessity then of adding even these seven engines to the rolling stock? I should like the Government to consider the advisability of starting a system of pooling other stocks also, just as they pool wagons. If one railway is in deficit, instead of bringing its stock from outside, it can take stocks from railways which have got a surplus. In this connection I should like to draw attention to the huge stocks which the railways maintain in their stores departments. There, too, the way in which these stocks are utilized is nothing short of a scandal. The Pope Committee is responsible for giving us figures that iron scraps are being sold at half the prices of pig iron. No business can be successful if its stock is sold at such ridiculous prices. Every year we scrap 2,000 or 1,500 wagons, 40 or 50 engines and hundreds of coaches so that things which we buy for lakhs are sold not for thousands but for hundreds. I would therefore suggest that it would be an advantage if the balances in stores were also pooled and any railway which requires material should first of all indent on the existing stocks in the Stores Department before they decide to purchase it from an outside market. I should like to remind the House of a thing which we saw right before our eyes. Members who come to Delhi may remember that late in 1931 the Jumna bridge was being beautified. Stonework was being erected on the piers and thousands of rupees were spent. But before the work was fully completed, it was all dismantled and we had the strengthening of the Jumna bridge and girders were added up, and this work is still going on. The first work did not last even for a year. They had completed more than three-fourths of the work when this new work was started.

As regards the scope for economy on individual railways, I should like to draw attention to the question of staff. The route mileage of Class I Railways is 38,460. The staff on that, according to the Railway Board's report, was 696,898, giving a per mile staff of 18.12 for all the railways. But on the East Indian Railway, which has a route mileage of 4,347 miles, the staff is 128,380, giving a staff per mile of 29.5. While the average for all the railways is 18, one railway has got a staff of 29 per mile. I had occasion to say last year that some of the Company-managed Railways are faring very well. On the Madras and Southern Mahratta Railway, the route mileage is 3,230 and the staff 51,097, which gives an average of 15.8 per mile. It is well known that in Government departments there is a tendency to multiply the staff. It is necessary that commercial undertakings like the railways should never consider themselves as Government departments. They should always regard themselves as a commercial undertaking and work up to that business standard.

Sir, I was referring to scraps. It may be thought that I had exaggerated the figures. I have got the figures of scrappings of the last three years of engines only. During 1931-32 we scrapped 204 engines, during 1932-33, 126 engines and during 1933-34, 83 engines. Thus, in three years we scrapped 413 engines. To show how great our expenditure should have been, I would quote the figure for one year only. During 1929 we ordered 252 locomotives at a cost of Rs. 2 crores. Sir, I asked a question during the Delhi session of last year as to how these scrappings of engines were disposed of. I was told that they were not available. In cost account it is essential to have figures for everything. That will show exactly how we stand and how much we can recoup from the materials which are condemned. The cost of the engines which we scrapped during the last three years must have amounted to something like more than Rs. 1½ crores. But how much we realized from it no one knows.

[Mr. Hossain Imam.]

Sir, the railways are responsible for some of our great troubles. I would not have taken up the time of the House and discussed this point now, when every one is congratulating the Commerce Department on its magnificent management of the railways, had it not been for the fact that this mismanagement, as I call it, of the railways has affected us in many respects. The greatest blame which I attach to the railways is that that Department is retarding the reforms. The whole structure of the future reforms is dependent on financial solvency, and the fact that they are not in a position to contribute to central revenues, that they cannot even meet their day-to-day expenditure, is a factor which is responsible for the delay ensuing in the coming of the reforms, and it is for this reason that I wish to emphasize the necessity of making the railways a more businesslike proposition, and it is for this reason I request the Government to investigate the position. I do not wish that the lines which I have laid down should be closely followed, as long as we have the assurance of the Government that they are up and doing, that they are leaving no stone unturned, that they are anxious to explore each and every opportunity of economy, we, on this side of the House, will be perfectly satisfied and will not press the Resolution.

Sir, with these words, I move.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK (West Bengal : Non-Muhammadan) : Sir, I have listened with much interest to the illuminating and impressive speech of my Honourable friend Mr. Hossain Imam, the mover of the Resolution. It is quite true that the railways are one of Government's commercial enterprises and as such they should be run on a profit-making basis and any attempt to make them a profitable concern would, I am sure, meet with the approval of the whole House. Of late we find that the railways are contributing very little or practically nothing to central revenues, and so to meet the demands and make up for deficits we have got to get that money from other sources by imposing taxes. So, whatever little profit is made by the railways would mean a lesser burden on the shoulders of the taxpayers. After all, Sir, though we have not received what we expected from the railways, there are various factors which have contributed to that. Firstly, there is the general depression which is prevalent all over the world, and then there are the motor buses which have come into the field of competition with the railways. As regards the first, this country alone cannot be expected to have any control over it, but with regard to motor bus competition something could be done to see that the competition is run on a fair basis. It is within the knowledge of this House that last year in April there was a Rail-Road Conference convened at Simla to devise ways and means to bring about co-ordination between these two systems of transport. Several resolutions were discussed and it was expected that something would be done to bring about the desired result. It is for my Honourable friend Sir Guthrie Russell to inform the House what transpired there and how far those resolutions and recommendations have been put into practice. It is quite true also that there was a retrenchment committee which went into all avenues of expenditure to find out how far retrenchment was possible in the railway administration. They made certain recommendations and, as my Honourable friend Mr. Hossain Imam has pointed out, some of them have been accepted and others not. A large number of labourers have been thrown out of employment and very little reduction has been made in the higher ranks. I do not know how far they have been able to reduce their overhead expenditure. Now, by this Resolution my friend wants to set up a committee of experts

for each of the State-managed railways. I do not know whether, even if they recommend certain measures of economy, those measures will be put into actual practice. We can make certain recommendations but it is up to the Government to accept them or not. Moreover, instead of one committee, my friend recommends several committees, one for each of the railways. Expert committees will mean that we shall have to pay a good amount to the experts who advise us. That would mean heavy expenditure and in these days of financial stringency whether the expense involved would justify the result gained is what I want to know before we can adopt this Resolution ?

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, I am afraid that the Resolution moved by my friend the Honourable Mr. Hossain Imam, except for the fact that the Members of the Central Legislature will be extended the privilege of serving in the committee formed by the Governor General in Council for each State railway, with the chosen experts, which seems to me to be the end in view of this Resolution, will not serve any useful purpose.

Those who have been carefully following the history of railway retrenchment would have been aware that a special Sub-Committee from the General Retrenchment Committee formed by the Government in 1931 for railway retrenchment was formed and was presided over by the Honourable Sir R. K. Shanmukham Chetty, Kt., the present President of the Lower Chamber. The railway authorities were able to curtail their expenses by Rs. 7 crores by their own retrenchments and the Sub-Committee still further reduced their expenditure by Rs. 75 lakhs.

The Memorandum presented by the Railway Board on the enquiry conducted by Mr. F. A. Pope clearly indicates that the services of Mr. Pope have been obtained

“ by the kindness of the London, Midland and Scottish Railway ”

not only to investigate into and report on the measures of economy but also

“ to inaugurate a detailed analysis of important activities of railway operation ”

on the lines of “ job analysis ”, by which he was emphatically of opinion that considerable savings would be found possible.

“ A large number of economies ”, says Mr. Pope in his covering letter, “ have been effected on Indian Railways in common with railways elsewhere. There are no big individual avenues of economy left except the intensive use of locomotive power : no fundamental changes can be made now on Indian Railways to reduce expenditure except amalgamation ”.

Though Mr. Pope was able, owing to his short stay, to concentrate his attention only on the Great Indian Peninsula Railway, it was arranged to associate with him certain officers of the other railways who could observe his method and if necessary continue the investigations after his departure from the country.

And again, from paragraph 4 of the Memorandum, we understand that it was decided to start job analysis on all State-managed railways and the State railway officers who were originally associated with Mr. Pope were selected to carry on the various investigations. Are not these officers with their selected staff, I ask the Honourable Members of this House, serving the same purpose which the proposed Committee of Experts and Members of the Central Legislature will serve ?

[Diwan Bahadur G. Narayanaswami Chetti.]

In the face of the valid opinion given expression to by Mr. Pope in his covering letter, *viz.*,

“ Reference has been made in the Legislative Assembly to the proposed appointment of an Expert Committee to follow on the work done by the Committee under my chairmanship. In my view no new expert committee is required. It is unnecessary to bring any other ‘experts’ from home ”.

We understand from the last paragraph of the Memorandum that Mr. Pope’s services have again been secured and that he has been employed in making a more detailed investigation into the other State railways.

In the face of these facts that I have enumerated I think that it is unnecessary for this Council to recommend for a Committee of Experts combined with the Members of the Legislature for it will only cause unnecessary expense. Hence I cannot but strongly oppose this Resolution.

THE HONOURABLE KUMAR NRIPENDRA NARAYAN SINHA (West Bengal : Non-Muhammadan) : Sir, I rise to support the Resolution of my Honourable friend Mr. Hossain Imam.

Sir, the Railways in India have cost the Indian taxpayer some Rs. 850 crores. When loans were taken for them they were guaranteed on the security of the general revenues of India, and at least Rs. 75 crores have already been paid on their interest charges alone. The railways are in fact the property of the people of India. So, what my Honourable friend wants is quite a reasonable proposition, especially at the present moment, when the railway revenues are steadily sagging with no hope of early revival. Sir, again, from the comparison of statistics it will be seen that the working costs of the State-managed railways are always proportionately higher than those of the Company-managed ones. The reason for this is not far to seek. The care and vigilance of the Company directorate are lacking in the case of the State system. Then again, in the State-managed systems the vagaries of the management go often unchecked under the present irresponsible system involving greater waste and expenditure. Then the scale of pay and emoluments of the different cadres on the Company-managed lines are always lower than those on the State-managed ones. There have been several glaring instances in recent years, where lakhs and lakhs have been spent on the State-managed systems on unnecessary projects, on unwanted bridges, on unessential repairs, on useless duplication and on extravagant edifices. It was found that when those expenditures were called to account they put forward lame excuses, and with a view to recoup their waste and extravagance, they have tried to economise by turning out thousands upon thousands of their Indian workers, shutting down portions of their shops and placing the orders of articles so long manufactured there, outside, with British firms, local and abroad, when their earnings began to fall off.

In view of all such important facts a Standing Committee of Experts and some Members of the Central Legislature on each of the State-managed railways with a view to investigate into and report on the measures of economy is naturally absolutely necessary not only for the well-being of our railway finance, but also for the ultimate existence of the railways in the hands of the State. For example, if we have such a committee it will hardly allow the authorities of the East Indian Railway to spend on one single school at Mussoorie for the children of their European and Anglo-Indian employees more money than spent on *all* the existing schools for the children of their Indian employees combined and maintained by them. My only fear is that

in the reckless way the State-managed systems are being carried on it will be little wonder if they show financial insolvency some day and then invite some British company again to take over the management. The Standing Committee of Railway Finance in the Legislative Assembly, although trying to achieve some results, have never attained any notable result by reason of their present statutory drawback.

THE HONOURABLE SIR GUTHRIE RUSSELL (Chief Commissioner of Railways): Sir, the wording of the Resolution at present before the Council and also I think the speech of my Honourable friend Mr. Hossain Imam are calculated to give the impression that Government has done little or nothing to adjust working expenses to falling revenues—an impression which is so erroneous that I feel I must endeavour to contradict it, and I cannot do this better than by giving the House some brief account of the efforts which have been made during the past few years by the Government of India and Railway Administrations to reduce railway working expenses, efforts which, I may say, are still in progress and which we have no intention whatever of relaxing. I wish to say at the outset that railwaymen are never averse to accepting hints from non-railway men; they are always prepared to adapt methods which have been found successful in other forms of business to railway working, but there is a real danger in associating non-experts with matters which require a particular type of expert knowledge. After hearing what I have to say I trust this House will agree that Government cannot look with favour on a proposal which must entail considerable expenditure with very doubtful prospects of getting true value for the money expended. Honourable Members will recollect that in view of the financial difficulties caused by the general depression, the Government of India appointed a Retrenchment Committee in 1931 with various Sub-Committees to go into the expenditure of the various Government departments. One of these Sub-Committees dealt with Railways. This Sub-Committee presented its report in October, 1931 and this showed that the total savings which could be expected from Railways amounted to Rs. 7·8 crores and of this figure—and this is a point I particularly wish to stress—Rs. 4·8 crores were from economies which had already been effected by Railways up to the 31st July, 1931 and of the balance of Rs. 3 crores, Rs. 2½ crores was the sum expected from the cut in pay, leaving only Rs. 75 lakhs of new economies recommended by the Sub-Committee. These facts are, I think, sufficient to show that Railway Administrations were fully alive to the importance of retrenchment and lost no time in tackling the problem. But apart from recommendations and estimates of possible savings, let me refer the House to figures which will show what we have actually done to reduce working expenses. Reference to the Explanatory Memorandum on the Railway Budget of the Government of India, 1934-35, page 5, shows that the railway working expenses have been reduced from (in the year 1929-30) Rs. 55·86 crores to (in 1932-33) Rs. 47·43 crores, a total reduction of Rs. 8·42 crores. The revised and budget estimates for 1933-34 are Rs. 48·04 crores and Rs. 48·34 crores, respectively. These figures are a little higher than the figures for 1932-33. This increase is entirely due to the normal increases granted to our staff, and to the undertaking of certain maintenance work which could no longer be postponed; and lastly, to an increase in traffic—and I am happy to say that at the moment we are getting increased traffic. It is possible to handle a certain portion of this increase without increasing our working expenses, but we cannot go very far in this respect.

So much for what has been done. To explain to the House what is now going on and what we still hope to do, I must refer once more to the Railway



[Sir Guthrie Russell.]

Retrenchment Sub-Committee's report. One of the terms of reference of that Sub-Committee was as follows :

"Further, the Sub-Committee shall report in due course to the Committee whether in their opinion, in order to comply fully with their terms of reference it is desirable that an expert committee should be appointed".

The Sub-Committee at the conclusion of their report recommended the appointment of an expert committee, and in doing so remarked that very early in their investigations they had realized the necessity of a further full enquiry into the details of working of the various departments of Railway Administration by a special committee mainly composed of financial and railway experts. I would particularly emphasise here that the Sub-Committee recommended the examination of details by specialists. The developments which have grown from this recommendation, and which I now propose to describe, will, I think, prove to the House that by what we have done we have really carried out the recommendations of the Sub-Committee, though we may have done it in a different manner—and I think a better manner. Originally when Government received the Sub-Committee's report they decided to recommend to the Secretary of State the appointment of a committee of well-known experts. But many difficulties prevented this being done—difficulties which, I think, subsequent events have shown were really all for the best. As a preliminary measure, therefore, the Secretary of State sent out to this country Mr. F.A. Pope, an officer of the London, Midland and Scottish Railway, who had been closely associated with the processes of rationalization introduced on that line. It was hoped that Mr. Pope would during his tour collect data and information which would subsequently be of value to the expert committee when that body was finally appointed.

Mr. Pope was in India from December, 1932 to February, 1933 and while here he was Chairman of a Committee composed of officers of the State Railways, all experts in their own branch. Mr. Pope's Committee presented a report at the end of February, 1933 and this is in the Library of the House. So far as the present Resolution is concerned, I may mention that Mr. Pope emphasized in the covering letter forwarding this report to the Government of India certain extremely important points. He stated that so much had already been done to effect economies on Indian Railways that there were no really big individual economies left, except perhaps the better use of locomotive power and the further amalgamation of railways, both of which are now under separate investigation. It may interest the Council to hear that the steps which have already been taken on at least one of the major State railways to improve the use of locomotive power are I believe in advance of anything so far achieved on British Railways. One of the officers mainly responsible for this result is on Mr. Pope's Committee. Mr. Pope's opinion shows, I think, that the Railway Board and Railway Administrations had not been dilatory in their pursuit of economy, and, coming from an independent officer who is an expert in such matters—connected as he is with the economy campaign now being conducted on one of the largest railway groups in the world—may be accepted at its face value. Mr. Pope in his report went on to say that, in his opinion, there was no need for the appointment of a special expert committee as originally contemplated, but he considered that considerable savings would still be found possible if a detailed analysis, which he termed "job analysis", could be undertaken of every railway operation, for which purpose it would be necessary to introduce on each railway a small organization entirely devoted to investigation and research. Such organizations would, in the opinion of

Mr. Pope, carry out the functions of the expert committee which Government originally had in view. Government accepted Mr. Pope's recommendations, and now small research organizations exist on all the important railways, Company-managed as well as State-managed. By means of these research branches all the multifarious activities of railway operation are now being examined in meticulous detail. Analyses have already been undertaken on many railways, covering a wide scope of operations, ranging, indeed, from such important items as the more intense use of locomotives and better workshop practice, down to such details as economy in stationery consumption and the use of lights and fans, and better means of copying letters. No savings are too small for investigation and as I shall shortly proceed to show, the results have been most encouraging.

While Government accepted Mr. Pope's recommendations that no expert committee was necessary—a recommendation which incidentally has saved considerable expense—they felt that many advantages would be gained if Mr. Pope could come out again this cold weather and report on what has been achieved as the result of his recommendations last year and to give further advice. Through the courtesy of Sir Josiah Stamp, Mr. Pope's services were again placed at the disposal of the Railway Board and he has been with his former committee during the last few months. They have drawn up a second report which has just been submitted for the consideration of Government and which I hope will in due course be made available for the Honourable Members of this House. I cannot give a forecast of the contents of this report, but will confine myself to one quotation summing up the results of the investigations up to the end of 1933 :

“Up to the end of 1933, that is to say, in the short period of nine months, a conservative statement of the savings proposed on four State Railways is Rs. 43,27,000 per annum, of which about 33 per cent. has actually been effected”.

Thus, it will be seen that some Rs. 14 lakhs of savings have actually been effected on four State Railways alone, and there are still due to the Railway Board reports from other railways on the same subject which will, doubtless, produce further savings. When I say that the *total* expenditure involved by the organizations undertaking job analysis on railways will amount during the financial year to some Rs. 3 lakhs, the House will understand to what extent the staff engaged on this work have justified their existence.

But, the process of job analysis is slow, and so far, as Mr. Pope's Committee say in their latest report, the work is but “ankle deep” and accordingly Government have decided to continue the research organizations introduced on each railway and they do so with every confidence that further economies will be effected. I may say that the work of job analysis on the London, Midland and Scottish Railway has been in progress for some years and on that line there is every intention of continuing it as there is still much ground to be covered.

Sir, I feel I have said enough to show that we already have an organization of experts engaged on economy research on State Railways, and Honourable Members of the House may be assured that they will be apprized from time to time of the results of these labours. In view of what we are doing there is, I submit, no justification for the appointment of the Committee recommended in this Resolution, and I trust the Honourable the mover will see his way to withdraw his Motion, failing which, Government will have to oppose it.

\* THE HONOURABLE MR. HOSSAIN IMAM: Sir, I was rather surprised to hear Sir Guthrie Russell say that the appointment of an expert committee might be very expensive. If this sort of criticism comes from Members other than Government Members I am not surprised, but I am very much surprised when Government Members say that sort of thing. Here is the report of the Retrenchment Committee which recommended, according to the figures which my Honourable friend quoted, a saving of Rs. 300 lakhs. And the actual cost of that Committee was Rs. 5,165. And the staff which the Government is employing might cost us Rs. 3 lakhs and has affected an economy of Rs. 43 lakhs according to the figures of Sir Guthrie Russell. That is an economical method of working but this method which I advocate is regarded as something which cannot be accepted because of its expensiveness. We all know that the non-officials do not help so much in giving concrete suggestions for economies as they succeed in inculcating in the staff a desire to economise. That factor has been emphasised by the Retrenchment Committee as well as by the Pope Committee which has suggested that the staff should be invited to make suggestions for economy. That is an expensive method of effecting economies.

Sir, as I said in the beginning, the railways, although a commercial undertaking, are obsessed with the idea of a Government department, and they want to spend any amount they like. The fact that job analysis is going on is no consolation to me, because, although it was the main recommendation of the Pope Committee, they had recommended in Part F other economies also. The Honourable Member did not care to say anything about it. I was expecting the Honourable Member to say something about the recommendations of the Retrenchment Committee which were shelved last year. The Honourable Member had nothing to say about the economy of Rs. 54,65,000. Perhaps it was not thought worth while enlightening this House. Perhaps the actual retrenchment effected might be the result of that, and perhaps credit is being given in undue quarters. My Honourable friend Mr. Ghosh Maulik invited some information from Sir Guthrie Russell as to the effect which had been given to the recommendations of the Rail-Road Conference. There, too, he kept a discreet silence. This road competition has come to stay. Every one has emphasised the necessity of the railways fighting this menace. But it seems that the railways do not care. At our very door, at Delhi station, we see every day 50 to 60 motor lorries standing just outside the station. They carry the traffic from the railway station. If the lorries can succeed in getting passengers to travel why cannot the railway also introduce something on the lines of the suburban train service in Delhi, just as they have in Calcutta and Bombay? We are told that something like 1,500 people travel every day to and from Delhi in motor buses. If these passengers are given convenience by the railways, that would add something to our operation costs, but the overhead charges will remain the same. What is usually the line of attack for every business concern in order to meet a falling market? It is to reduce costs and thereby get more custom. All these business concerns have concentrated on getting more traffic but the railways are careless about it. They know only one method of having more money and that is by increasing the cost. At a time of falling prices and depression this is not the right line of attack.

Then, Sir, we are told that the Government maintain some reserve for the department of His Excellency the Commander-in-Chief. That also is an item of expenditure which should have been made, not in the Railway

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\* Speech not corrected by the Honourable Member.

Department but in the right quarter. We are told that the railways are maintaining stores at some stations for the construction of strategic lines which have not yet materialized. But still, on borrowed money, we are paying interest. That also is a bad debt from the railway point of view and that ought to be reduced.

My Honourable friend took some sort of objection to the expert committee which I have recommended. I thought that our gallant friend His Excellency the Commander-in-Chief was the only person who had some antipathy towards the word "experts". But I find that the railways are also of the same opinion. The fact that it took one year and three months to bring out one person from England and for all that time no exploration was made for economies shows the attitude of the railways. The Honourable Member himself said that although the Committee reported in October, 1931, Mr. Pope did not reach India till the end of 1932. Sir, in view of the unsatisfactory reply of the Honourable Member I would have pressed this Resolution to the vote of the House. But because he has also informed us that Mr. Pope has again investigated and is going to submit a report which will probably be circulated to us, I do not wish to press this Resolution, and I ask for the leave of the House to withdraw it.

The Resolution\* was, by leave of the Council, withdrawn.

#### RESOLUTION *RE* LAYING OF PAPERS OF THE JOINT PARLIAMENTARY COMMITTEE ON THE TABLE.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to move :

"That this Council recommends to the Governor General in Council that the papers of the Joint Parliamentary Committee on Indian Reforms be laid on the table of this House."

Sir, I am moving this Resolution in the orthodox parliamentary language  
 12 Noon. in order to initiate discussion. The Joint Parliamentary Committee was formed on the 12th April, 1933. It is nearly a year since its formation, still its report is not out, and if the newspapers are to be believed, we will have to wait for two months more to get the report. Sir, Indians have been anxiously awaiting for the coming of this reform, but strangely with the increase of the desire of Indians for it reforms are receding into the background. It seems as if the British Government are playing a game of see-saw with us. The more we desire to have it, the less is their desire to give it. When India was showing a different attitude, when the high priest of non-co-operation was in his full powers and was preaching the gospel of independence, the Government seemed to be anxious to give us something. But now exactly the reverse is the case. The position has become so intolerable that even the friends of the Government have now started criticizing the British Government for its actions. The other day I pointed out that non-official European opinion is veering round towards the side of India, and if that was true of every-day politics, then it is as much true about the coming reforms. *The Statesman and Friend of India*, which is a well known paper, in its editorial† on the 11th of this month, expressed great condemnation for

\* *Vide* footnote page 455, *ante*.

† Reproduced as an Appendix at the end of these debates.

[Mr. Hossain Inam.]

the dallying tactics of the British Government. It deplored the attitude of the Government which is delaying matters and losing a golden opportunity of introducing reforms in India. The *Hindustan Times* dissected it in a cartoon which appeared yesterday. The fact is that ever since 1928 we have been hearing talk of the coming reforms; first, was the formation of the Simon Commission, then we had all these tales of the Round Table Conference, and after that the Joint Parliamentary Committee. They have exhausted our patience. Government seems to be impervious to any agitation which may go on in India. We do not know exactly what happened in the Joint Parliamentary Committee. We only know that it was formed on the 12th April, 1933 and the last meeting in which the Indian delegation took part was held as far back as the 16th November, 1933; and for the last four months after the return of the Indian delegation, the Joint Parliamentary Committee has been busy doing something which we do not know. Sir, when the Government was really desirous of giving reforms they took only two years to do so. I seem to remember that in the case of the Montford Reforms the time which elapsed between the announcement of Mr. Montagu and the introduction of the Reforms Act was not more than two years. In the case of the Morley-Minto Reforms even that period was not required. But in this case we find the Government is taking an inordinately long time in introducing reforms. This is objectionable enough, but what is more objectionable, from the Indian point of view, is the fact that the fetters in the way of future reforms are being made stronger and stronger.

We are thankful to the Government for having circulated to us the evidence of the Secretary of State for India, but may I draw the attention of the Government to the fact that equally important are the memoranda which have been submitted by the Secretary of State which do not form part of the paper which has been circulated to us, and some of those memoranda have not seen the light of day in the Indian press also. I suggest to Government that if they were generous enough to circulate to us the evidence of the Secretary of State, they should also circulate to us the memoranda which have been submitted by Sir Malcolm Hailey and the Secretary of State, if not the other memoranda which formed part of Volume III of the Joint Parliamentary Committee. In these memoranda we find that the British Government actually contemplates a delay which may extend, not to one or two years, but which may extend to even half a dozen years. I may be thought to be making exaggerated statements, but I should like to invite the attention of the House to page 24 of this volume where the Secretary of State says that

"If the state of the world does not get better, if we still go on with commodity prices, either at their present level or actually falling, not only does it make any change almost impossible"—mark the word 'impossible'—"but it makes the existing system of Indian finance almost equally impossible".

What inference are we to draw from this? We have no control over the affairs of the world. We have no control even over our own affairs, let alone those of the world. The Government's representative who is in charge of finance is not removable by the Legislature. He takes a certain line of action and the public who have no responsibility in the matter are penalized and told that it will make the introduction of reforms impossible. Sir, there is no doubt that financial solvency is a pre-requisite of federation, but can this be had simply by waiting for something to turn up, or should we be up and

doing and taking every step to reduce our expenses? We find that in many respects with the lapse of time the position is becoming worse and worse. It will be fresh in the minds of most Members of the House that the Federal Finance Committee earmarked the excise on matches as one of the federal resources of the future Government. But our need was so desperate that the Finance Member could not leave even this one and only source of revenue for future federal finance intact. He needs must have it at the present moment. This shows the straits to which we have been brought in the financial sphere and it seems that we will be penalized for the actions of others. I do not need to dwell on the evidence of the Secretary of State where he has considered these financial questions and in which he has dealt with and given the reasons for his evidence. Suffice it for me to say that although those estimates may be correct, there is scope for economy even in them. Now, Sir, a standing drain has been the imperial services. As far back as 1929-30 when the Simon Commission reported, even they did not find it necessary to alter the position which existed then. The position then was that the question of the Indian Civil Service was to be re-opened in the year 1939, and then the Central Committee had objected to the continuation of the Indian Civil Service and had recommended provincialization of the services. That was what happened in 1930. But what is going to happen in the new constitution is portrayed in the White Paper and in the Memorandum submitted by the Secretary of State—that the services question will not be opened till five years after the inauguration of the reforms. No one knows when the reforms are coming. It may be 1940 by the time the reforms come in.

#### THE HONOURABLE SIR DAVID DEVADOSS : 1937.

THE HONOURABLE MR. HOSSAIN IMAM : 1937 is rather too optimistic. Well, Sir, why should we change the position only on this account, that the new reformed Government should not be saddled with the responsibility of looking into the service question immediately after they come into being? Why not do it beforehand? What is the harm? We might fix a quota now that for four years the Secretary of State will recruit from Europe and afterwards the services will become provincialized, so far at least as new recruits are concerned. We do not say that about the people already in service; their position should in no way be jeopardized, but we do insist that this constant drain should not be allowed. This point has been very vehemently brought out in the joint note of the Indian delegation which forms part of these records. We are really very glad, Sir, that the Indian delegation carried on its work so well and they were able to submit a joint memorandum, and I should like, with your permission, Sir, to hear something more about the doings of the Indian delegation from our distinguished colleague who served on that delegation. The Honourable Sir Phiroze Sethna was the only representative from this House who was associated with the Joint Parliamentary Committee.

Sir, I do not wish to make this an occasion to attack the White Paper policy. My only idea in bringing forward this Resolution was to expedite the introduction of the reforms. Secondly, I wish, Sir, that this House should be given an opportunity to discuss and to give its opinion on the report of the Joint Parliamentary Committee when it does see the light of day. Thirdly, Sir, I wish to stress on one point. In reply to questions as to what would happen if the reforms were introduced in India the Secretary of State said that, firstly, provincial autonomy will be inaugurated and responsibility in the centre as contemplated by the White Paper, and by the evidence before the Joint Select Committee would be deferred for some time. The Indian delegation have insisted that a very short space of time should elapse between

[Mr. Hossain Imam.]

the two. However that may be, the thing which I find very unsatisfactory in the reply of the Secretary of State is that he contemplates giving extension to the present Legislatures up to the time that the reforms come in. He is not very definite that he will give an extension,—he is not sure that the authorities will give an extension,—but when he was asked whether he would see to it that no extensions were given, then he did not agree. That shows exactly the way in which Government want to move. We do not desire, Sir, that the present Legislatures should continue after the lapse of their natural time; it is a bad policy; it gives a bad name to the Government; it gives a bad name to the Legislatures. If the people who come to the Legislatures cannot justify themselves by results before the electorates, they have no right to remain here, and if they can justify themselves, they should not be afraid of going to the polls and coming back with fresh credentials from the electorates.

Sir, the reforms are coming, but no one knows when. As long as we have the assurance that the Government is doing its best to expedite the reforms, we have no quarrel with the Government, but I wish that the Government should go out of its way and impress on the authorities in England the necessity of doing the work quickly because, as the saying goes "Justice delayed is justice denied".

Sir, I move.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, I find it difficult to understand what the Honourable mover of this Resolution has actually done. He has expressed his regret at the great delay in reforms materializing, but curiously enough he has said that the suggestion that they will come by 1937 is too optimistic and his own forecast was about 1940. I am not sure whether these observations were made by way of humour, but if he was at all serious about them, I am afraid these are the sort of observations which might well lead the people in England to think that the Council of State thinks that the idea of reforms coming about 1940 is not a very unnatural or unreasonable one. However, it is for him and for other Members to see whether it is wise to indulge in these observations. Then he has expressed satisfaction at reports of the proceedings of the Joint Select Committee being presented to Honourable Members, and expressed the further desire of being presented with copies of records as well. He has not stated that copies of records are in the Library of the House nor has he recognized that during the stay of Honourable Members in Delhi there are long spells of leisure, part of which one might usefully spend in the quiet atmosphere of the Library of this House. He then proceeded to some bits of evidence of the Secretary of State, in particular relating to finance and imperial services. If this is what he intended to do, he is welcome to it, Sir, and the attitude of Government in the matter is that these are subjects which have been discussed threadbare, these are matters which are under the consideration of the Joint Select Committee and Government has no intention of taking part in their discussion during this debate, but will be glad to forward the debate to the Secretary of State for his consideration. Then, towards the end of his speech, the Honourable Member proceeded to say what he wants is that the reforms should be expedited. I do not think there is any school of thought in India which would oppose him on that point. Then he said he wants an opportunity of discussing the report of the Joint Select Committee whenever it does come. That is rather premature. Is it not? Government is not in a position to know when the report of the Joint Select Committee will materialize, nor is Government in a position to say what will happen to it when the report does

materialize. Therefore it is not for me to commit Government to what it will do so far as this House having an opportunity to discuss that report is concerned. If the House is in session it is open to any Honourable Member of the House to make the Motion that is being made now. If the House is not in session, I am sure the House would not like Government to stop the further advance of the proceedings relating to the reforms so that this House may have a chance of discussing the report. In case this House meets when the report has reached the stage of a Bill there is nothing to prevent this Honourable House from discussing this Bill. It is the same thing as discussing the report of the Select Committee in case there is not a Bill. Therefore, that part of his speech, if he means it to be the substantial part, I cannot but oppose.

Then, he later closed his speech by giving advice to Government as to what they should do in the matter of either holding fresh elections or prolonging the life of a Legislature which has run through the usual term. Well, Sir, we have noted his advice. Having listened to his speech and decided upon making the observations that I have just made, I really do not know whether the House is any the wiser as to what he said and as to what Government is or is not prepared to do. There is nothing very definite that he wanted done and in consequence there is nothing definite that I can tell him can or can not be done. If desultory discussion on the evidence of the Secretary of State or any other witness is desired, the House is welcome to it provided it is not expected that Government will take any part in it.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhamadan) : Sir, the mover of the Resolution began by saying that he has introduced it in the orthodox manner in order to initiate discussion. He was good enough to make a reference to myself and say that I was the only Member of this House to be included amongst the 21 British Indian delegates who were sent to confer with the Joint Parliamentary Committee in London, and he desired me to place any further facts that I could before this House that were not generally known. With your permission, Sir, and with the indulgence of the House I will relate what perhaps may not have yet appeared in the press. As the mover informed you, the White Paper came out early last year. Soon thereafter Government decided upon sending 21 delegates from British India and seven from the Indian States. We left here about the third week of April and I would like the House to understand that if we all went there it should not be taken for granted that we accepted the recommendations of the White Paper *in toto* and that they did not want any modifications. On the contrary, it was because we felt that there might be introduced many modifications which would reconcile Indian opinion in favour of the White Paper that we accepted the invitation of Government. We were there 28 in number from India and there were 32 Members of the two Houses of Parliament, 16 from each representing the different political parties in the country. It would follow, therefore, that there would be some amongst them who would be in sympathy with the views of that section of the public known as the Die-hards. We soon discovered this after we commenced our sittings on the 16th of May. We first wanted to determine our own position and in reply to questions asked on the opening day we were told that we were on a footing of equality with the Members of Parliament in respect of evidence taken either in public or *in camera* and in respect of any papers which we might want and which were accessible to the members of the Committee but that, after the examination of witnesses was over and after the discussions between the Indian delegates and the Committee members had terminated, we were to make our *conge* and the members of the Select Committee would themselves prepare the report for they were there in the capacity of judges. That seemed to us as putting us



[Sir Phiroze Sothna.]

at some disadvantage because our views would not be considered as we would like them to be just at the time of the preparation of the report. We therefore asked if we would be permitted to submit a memorandum or memoranda which might be considered at the time of the preparation of the report and that the same be embodied in the proceedings. The Chairman was not in a position to give an answer immediately but after consulting his colleagues he told us, two days later, that our request would be acceded to. That accounts for the Memorandum to which my Honourable friend, Mr. Hossain Imam, has referred. Now, Sir, my friend has laid stress on the fact that there has been delay this time. He referred to previous reforms, namely, the Morley-Minto and the Montagu-Chelmsford which did not take more than two years in the preparation. This time Government have been busy considering the reforms since 1928 and if we do not yet know what we are to get, perhaps the fault is our own. The fault is our own in as much as while there was a splendid opportunity of coming to a satisfactory understanding at the First Round Table Conference, the dissensions between the Indian Members themselves were responsible for the delay. They were responsible for the appointment of the subsequent Round Table Conferences, of the Consultative Committee, and finally, the Joint Parliamentary Committee. Now, I would like to assure the Honourable the mover that, so far as the Secretary of State is concerned, we know that he is most anxious to expedite the reforms. In proof of that I may tell him that when we commenced our proceedings on the 16th of May, his estimate was that our work would be over by July, the report would be ready by September and the bill placed before the House of Commons before Parliament was prorogued in November. We soon discovered that that was not possible. In the first place, there was some delay in commencing the examination of witnesses. Indian delegates put forward the suggestion that we need not make speeches explaining our point of view because Members of the Committee could read them in the proceedings of the three Round Table Conferences. It was ruled, however, that because the majority of the Members had no connection with any of the three Round Table Conferences, had never been to India and were not acquainted with conditions in this country, it would be better for the Indian delegates to put forward their case which we did. For this reason, the examination of the witnesses did not commence till the 2nd of June. So there was delay to begin with. We went on to the 3rd August when the Committee rose for the holidays. When we rose for the holidays we were not sure whether we should return when the work was resumed and that was because some members of the Joint Parliamentary Committee hinted that if every delegate did not return they could not look upon the remainder as a delegation. The Secretary of State, however, thought otherwise and he thought it would be very advantageous if we did return. I for one certainly thought so and had no hesitation in giving my views in the Press that the members should return and my reason was that some very important witnesses, such as the Manchester Chamber of Commerce and commercial bodies in London had not yet appeared before us. Again, the Secretary of State's examination had not finished, and finally, the most important of all, the discussions which between the members of the Indian delegation and the members of the Joint Select Parliamentary Committee were to take place after we returned in October. We were 21 and seven in the first instance as I have stated but when we resumed on the 3rd October, there were only 16, namely, 13 from British India and three representatives of the Princes. But although we were less in number, I think we were able to do very good team work such as we had never done before either at the three Round Table Conferences or at the Consultative Committee at Delhi. Because of such good

team work, we believe we were able to impress upon the members of the Joint Select Parliamentary Committee the exact needs of India at the present moment.

We resumed work on 3rd October, and I would remind the House that by that time the Secretary of State had to face very considerable opposition in the country from the members of his own Party, namely, the Conservatives. Whilst we were there in June, there was held a meeting of the Central Committee of the Conservative Party which bitterly attacked the White Paper, but fortunately the majority of those present voted in favour of the White Paper. Similarly, at the annual conference of the Conservative Party held at Birmingham on 5th October, there was again a majority in favour of the White Paper. But the opposition had grown in the meantime and I believe it is growing still further and that has to be reckoned with by the Cabinet no doubt, and I would ask my Honourable friend not to forget this.

Altogether there were 120 witnesses examined. My friend has referred to the question of the public services. I may say that the two points upon which members of the Joint Select Parliamentary Committee were very anxious in their examination of witnesses were in respect of the transfer of law and order, and secondly, in regard to the public services. As regards law and order, when they discovered that the work of the police of this country is divided into three branches, namely, the ordinary, the Criminal Investigation Department and the special branch of the Criminal Investigation Department, there were many amongst them who freely expressed the view that the special branch of the Criminal Investigation Department should be a reserved subject. As regards the public services, many arguments were advanced in favour of protecting them to a greater extent than the Secretary of State had recommended in the White Paper. They even went to the length of urging that if for any reason India failed to pay the pensions of the men of the public services, the Secretary of State should prevail upon the Cabinet and the British Government to guarantee such pensions. They also asked for a certain percentage in all the all-India services to be reserved for Europeans, and lastly, they even asked that a certain portion of our revenues should be definitely earmarked for the payment of pensions, to all of which the Secretary of State did not see his way to agree.

Now, Sir, I said that the most important witnesses were to come before us after we resumed work in October. The Manchester Chamber of Commerce was to appear before us on the 27th October. The Secretary of State very wisely asked for this date to be altered to the 3rd November for the good reason that just at that time negotiations were being carried on by the Manchester delegation and the Bombay Millowners' Association in Bombay and which were happily concluded in a satisfactory manner. The conclusion of what is now known as the Mody-Lees Pact certainly effected a very great change in the attitude of the Manchester Chamber of Commerce. I am revealing no secret when I say that they had prepared a memorandum which was dead opposed to Indian interests and which between 27th October and 3rd November was altogether altered, and they were conciliatory in their attitude towards Indian aspirations. For this we are indebted in the first instance to the Mody-Lees Pact to which a deservedly flattering reference was made by the Honourable the Commerce Member in the other House yesterday and I believe at this very moment Mr. Mody is today defending his action in the other place against unwarranted attacks made upon him by a section of the press in this country. But I must not omit to mention Lord Derby, one who is respected throughout all England and who commands the greatest influence in his own county,

[Sir Phiroze Sethna.]

namely, Lancashire. He was mainly responsible for the change in the attitude of the Manchester Chamber of Commerce delegates and the evidence they gave. This, I may say will not only have good results in the Committees' report but also in Parliament where they control as many as 70 votes.

There were other commercial bodies which gave evidence to which I have not the time to refer but I may be permitted to say a word or two with regard to the discussions which took place between the Indian delegates and the members of the Joint Select Parliamentary Committee. That was the most important part of our work. It was necessary to decide the procedure to be adopted. It is the rule for Joint Select Parliamentary Committees not to keep any record of their proceedings but only to record their decisions and the voting. On this occasion, member after member from amongst the Committee members observed that if any notes were taken, there would not be that heart to heart talk, and that they would hesitate to put questions to Indians which they would otherwise do. We saw the point and we left it to the Chairman. The Chairman, however, thought it necessary to have notes for future reference when the report was being prepared in case they forgot what was actually said during the proceedings. The Chairman decided that the report was to be his private property and that nobody else was to have access to it. After this arrangement, there were free and frank discussions. We did not spare our friends in pointing out what in our opinion were the defects of the present administration of this country. They did not spare us and they told us what they thought would be the defects and what would be the difficulties in the advancement of India at the rate we desired. We felt, that whilst we may have prevailed upon some by our arguments, we might not have prevailed on all, and it was considered very necessary therefore to leave a memorandum or move them if we delegates differed amongst ourselves. Of course, we did not ask the three representatives of the Indian Princes to join us in any memorandum we might submit. Of the British-Indian delegation we were 13 in all including Sir Hubert Carr, the representative of the European community. We did not ask him to join us for obvious reasons. But at the same time I would like here and publicly to acknowledge the very excellent work done by Sir Hubert Carr and the very valuable help he gave the British-Indian delegation throughout and particularly in fighting the Die-hard campaign. All the rest of us, 12 in number, including Sir Henry Gidney, who represented the Anglo-Indian community, signed that memorandum and it was sent to the Chairman on 17th November that is, a day after our proceeding ended. In that memorandum we have brought out the salient points in which we differed from the Members of the Committee and we do hope that as a result of the recommendations we have made therein the Committee's report will be so framed that it will prove acceptable to the reasonable section of the public in this country. I have already exceeded my time limit and I am sorry I can not even refer to the most important points therein. In the introduction we have pointed out that our object in asking for these modifications was to ensure that the reserve powers are so framed and exercised as not to prejudice the advance of India to full responsibility and to secure that the period of transition is not indefinitely extended. In short, Sir, what we have asked for is maximum responsibility and minimum reservations.

The Honourable the mover has made mention of the Secretary of State. Much has been said about him. As the House is aware, out of 20,000 questions put to the witnesses, he was responsible for answering one-fourth of that number, and it took him 75 hours in the course of 19 days to stand his cross-examination. He was in the dock, if you may so term it, for all that time

and he stood the test remarkably well indeed in the opinion alike of the Committee and of the delegates. If he had not to face so much opposition from a section of his own Party I would not be surprised if he would have gone beyond the recommendations he has made in the White Paper. But we must realize that he must secure the support of his own Party or the majority amongst them and therefore he has perhaps not been able to go far enough in the White Paper. We hope that in our absence he will be able to prevail upon the Committee to give effect to the modifications we have proposed in our Memorandum or as many of them as they can.

Mr. President, I will not take up more time except to refer to one or two former Members of this Legislature. I told you there were 120 witnesses in all. It is very strange that the majority of Englishmen who have returned from India to their homes in the old country within the last five years have been in favour of the White Paper, while the majority of those who returned ten or more years ago are against the White Paper. Amongst those who retired recently I want to mention the name of a former Commerce Member of the Viceroy's Council, Sir Charles Innes, subsequently Governor of Burma, and another who was a prominent Member of this very House, Sir John Thompson. Sir Charles Innes was very greatly in favour of Indian aspirations. Even in today's telegrams there is the report of a speech made yesterday by Sir Charles Innes before the Royal Empire Society, in which he says,

"We are pledged to introduce responsible government in India and Burma. If we grant it prematurely the countries would not be able properly to use it. If we hold our hand too long there will be such resentment that the first use the peoples will make of responsible government will be to leave the Empire".

He preferred the first alternative. Let us hope the members of the Joint Select Parliamentary Committee will also prefer the first alternative and that their report, which according to another telegram is expected to be in our hands after the Whitsun recess, two months or ten weeks later, will also be such as will prove acceptable to India. For, if only the White Paper recommendations are accepted, or, as is feared, even the White Paper is whittled down, I am afraid the trouble in India will not cease but will continue indefinitely which will be unfortunate for all concerned.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras : Nominated Non-Official) : Sir, we are indeed indebted to the mover of this Resolution in affording the House an opportunity of expressing its views on this very important question of the reforms. When my Honourable friend asked for papers I am sure he was in full possession of all the papers as much as any one else, and all that he wanted was only to seek an opportunity to lay certain points before the House, so that they may reach the authorities in England. Next we are indebted to the Honourable the Leader of the House for promising us that he would be pleased to communicate the proceedings of this House in order to enable the Secretary of State to know exactly what the feeling in this country is at the present stage. Last but not least, Sir, our friend the Honourable Sir Phiroze Sethna also deserves our thanks for telling us all that has happened as well as he could within the time allowed to him. Now, Sir, it is only in that sense that I should like to join in this debate, in the sense, namely, that our voice may be heard and our views may be communicated to the Secretary of State exactly in the form in which we give expression to them in this House. There are one or two points which are very important to us at the present stage. It is true no doubt that there is a good deal of opposition from Conservative quarters, especially from the south of England. I happened to be in England in the months of May, June and

[Sir Kurma Venkata Reddi.]

July last year, and I know exactly from where the opposition came. As has been already mentioned, the Conservative Associations, about 72 or 82 out of 120, passed resolutions to the effect that they could not accept the White Paper without material alterations. But it seems to have taken a different turn just now, if the newspaper reports can be credited. We are told that a section of people in England is giving out that the White Paper is not at all wanted by any party in India, that the Congress does not want it, that the Liberals do not want it, unless perhaps great changes are made as outlined in the memorandum to which reference has already been made, and that the other parties also do not want it. They ask :

“ Why then do you impose this upon India when nobody wants it ? ”

It has even been said that some Conservative members are just now in this country to ascertain for themselves whether that is so or not. Now, Sir, I cannot speak for all India, but I can speak for a great party to which I have the honour to belong. That party is in Madras, the Justice party. Next to the Indian National Congress, that party is the best organized party with the largest following, claiming to represent something like 38 millions of people in that province. Speaking on behalf of that party I can assure these gentlemen, those that might have come to India and those that are in England who think in that way, that, whatever may be said and however much we may be dissatisfied with certain aspects of the White Paper, if once it becomes law we for our part are perfectly willing to work it to the best of our ability and for as much as it is worth. To say and raise any opposition to it on the ground that it is not wanted in this country is a travesty of truth. No doubt we do want certain improvements in the reforms ; no doubt we do want certain changes, we do want to obtain as much as we could get ; but even if the White Paper is passed as it is I can assure you and speak for a great party that that White Paper would be worked, if it is not further watered down or whittled down. Sir, so far as the White Paper itself is concerned, we have always taken it as the offer of Great Britain to India and Great Britain cannot go behind it. With all its defects and with all its disadvantages, as far as it goes, we in our party recognized that it was an advance over the existing constitution. And as one who had the privilege of working, if only for three years, the dyarchic system, I can assure this House, as I have assured others elsewhere, that this White Paper is undoubtedly a great advance over the existing constitution. That being the case, if the White Paper is not further whittled down in any way, if at least it is passed as it was offered to us, then certainly there is sufficient opinion in this country which is prepared to work those reforms for what they are worth without in the least giving up our right to agitate for more reforms and greater privileges, which are our birthright.

The next thing I would place before the House is with reference to a certain piece of evidence which leaves an impression in our mind, the evidence of the Secretary of State, that an agreement has been entered into or an assurance has been given to Burma that in case she separated from India she would not have to suffer anything by way of tariff walls from India. Now, Sir, Burma is at perfect liberty to remain with us or separate. I am sorry my Honourable friend Mr. Glass is not here. I would be the last man to stand in the way of Burma separating, if that be the wish of the Burmese. But, Sir, as the saying goes, “ they cannot eat their cake and keep it ”, or, as the lawyers say, “ they cannot have both mud and money ”. If they want to separate, certainly they can do so, and they will be the same as other Colonies,

Crown Colonies, and they will be under whatever constitution may be given to them. But in case she does separate of her own free will and if that separation is accepted by the British Parliament, my submission is that this is not the stage at which any condition could be imposed on India, namely, to agree to impose no tariffs, no duties, no customs, on articles that may have to come from Burma to India. Sir, at the time when the Montagu-Chelmsford Reforms were granted to us, I happened to be in England and I believe it is actually in the report of the Joint Select Committee of 1919 that India will have her fiscal autonomy, and that if the Government of India and the Legislature in this land agree upon any point of fiscal reform, of tariffs, of customs, then the British Government would not interfere with that. Now, supposing that Burma is separated tomorrow and the Government of India are at one with the Legislature in this country—the two Houses of the Legislature in this country—and that this country decides to raise a tax on Burmese rice which comes into our province—about which we have a great complaint today and yet we do not complain because Burma is a part of India and she has as much right to import rice into Madras as any other province—then India shall be in a position to exercise the right of fiscal autonomy—

THE HONOURABLE SIR DAVID DEVADOSS: Fight for it.

THE HONOURABLE SIR KURMA VENKATA REDDI: As my friend puts it we may have to fight for it by all constitutional means. After all, this right which has been given to us 14 years ago, the right of fiscal autonomy, to be taken away from us on the ground that Burma had been, before the separation, a part of India, Sir, would cause such a grievous injury that I should like the Government in this country to let the Government of Great Britain know how strong the feeling is in this country, for we are today suffering from Burmese imports but yet we actually accept the position because there cannot be any difference between one province and another province so long as one remains a part of India. But when once Burma is separated, I should think it very unwise, very unjust, on the part of the British Government to give any assurance to Burma that the fundamental right of India to control her own fiscal powers would be taken away and that some benefits would be shown to Burma even before Burma is separated. That, Sir, is another point which I should like the Government of India to kindly let the British Government know.

There is yet another point which I should like to place before the House and that is with reference to the financial relations between the various provinces and the centre. Just a few days ago, speaking on the budget, in the general discussion in this House, I made the position of Madras clear and pointed out that Madras, and the United Provinces for the matter of that, have been treated as the milch cows of India. I also pointed out that for five or six years under the Montagu-Chelmsford Reforms we were made to bleed, having had to pay Rs. 3½ crores every year as contribution to the Central Government. I also pointed out that the taxes in my province have been very heavy; the incidence of taxation has been unbearable in Madras. Whereas we in Madras pay Rs. 8 crores on land and land alone, there are provinces which do not even pay Rs. 4 crores though the extent of our culturable land is by no means larger than that of other provinces. After all, Sir, all these things will have to be settled by the Financial Relations Committee that will have to be appointed. So far I have not been able to see whether any definite promise has been made that such a committee would be coming to this country, whether it be of Britishers, or of Britishers and Indians or of

[Sir Kurma Venkata Reddi.]

Indians alone. I would respectfully submit that Madras would insist upon such a committee, so that the financial relations between the centre and the provinces might be satisfactorily settled, satisfactorily to all the provinces. Every province would be at liberty to represent its grievances and it is for such a committee to find a way out and show how this burden could be equalized. After all, taxation has its limits. We have read in books that taxation must be equal, that taxation must be bearable, and so on and so forth and there are technical expressions such as capacity to pay and equal distribution which I need not repeat here. But judged from any standard, Sir, Madras is today suffering from such a heavy burden of taxation that it would be impossible for that province to bear it any longer unless the Government of India come to our rescue and see that some equal and just adjustment is made.

Sir, I have only one word more, and that is to join my Honourable friend Sir Phiroze Sethna in the compliment, or shall I say, the tribute—that will be the more appropriate word—paid to the two great friends of India, Lord Derby and the Secretary of State. I happened to be, Sir, as I told you a little while ago, in London last year, in May, and I had opportunities of meeting both these gentlemen on various occasions. I think I met the Secretary of State no less than three times and as for Lord Derby I met him four or five times. On every occasion I received the greatest sympathy from them and as a matter of fact from the discussions I had with them not merely on the purpose for which I went there but on the general purpose of the reforms, I could see that these two gentlemen had been doing their best to help India. As friends of India they are entitled to our gratitude and I wish to give expression to the sense of gratitude felt in this country through the means of the debate on this Resolution.

Sir, I have done.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I will not take up much time in putting forward my observations, but I think it is my duty to say what I think of the White Paper. The fundamental defects of the White Paper scheme are, firstly, that it leaves the paramountcy of the British Parliament unaffected, and secondly, that even the powers that it does transfer are not transferred to the Indian nation but to an India so divided into water-tight communal compartments that in the perpetual wrangling and strife of the communities the third party will find its opportunity of prolonging its tenure of irresponsible power. Both these vital defects are left entirely undisturbed by the joint memorandum. It is no use asking, as the memorandum does, that

“the preamble to the Constitution Act should contain the definite statement that the natural issue of India's constitutional progress is the attainment of dominion status”.

Sir, no constitution which leaves this power in the hands of the British Government can be regarded as a self-governing constitution in any sense of the term or fulfil the pledges repeatedly given by the Prime Minister and by successive Viceroys that as a result of the labours of the Round Table Conference India is to become a dominion. No part of the White Paper proposals, as every one knows, has evoked more widespread or more energetic protests in India than that relating to all-India services. The reason is quite clear. The proposal goes against the root principle of responsible constitutional government. The Lee Commission had admitted the anomaly of officers working in the Transferred Departments being responsible to an

outside authority. British Indian delegates in London have unanimously condemned the proposals to perpetuate this anomaly. Even the European representatives had admitted that it is most important that the new constitution itself so far as it would give any real power to India could never be successful or properly worked as long as the all-India services remained beyond the control of the Ministers in the provinces and at the centre.

With these few remarks, I resume my seat.

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, I express my grateful thanks

1 P.M. to the Honourable the Leader of the House for the assurance he has given us to forward the proceedings of this debate to the Secretary of State. All that we wished to do by this debate and all that the Honourable mover of this Resolution hoped to do by this debate, was only to see that our views on this burning question, the question of India's constitutional advance, might be communicated to the authorities in England and that in spite of any disagreements which we might have with one or other of the White Paper proposals, we were, on the whole, prepared to work the constitution, which the White Paper proposed to set up, and last but not least, that there were grave dangers in the delay which is being caused in introducing the reforms, for which the country has been waiting so long. Therefore, Sir, we are highly grateful to the Honourable the Leader of the House for having consented to communicate our views to the authorities in England. Before I make my own observations on the Resolution, I would like, on behalf of myself and all my other colleagues in this Honourable House, to tender my thanks to my Honourable friend, Sir Phiroze Sethna, for the lucid and detailed account that he has given us of the work of the Joint Parliamentary Committee and of the way in which our representatives from India, of whom our Honourable colleague was one of the most distinguished, have tried to discharge their duty.

Sir, I join him in the well merited tribute which he has paid to the Secretary of State and to that other great statesman in England, I mean Lord Derby. I join him in the tribute he has paid to them for trying to help the cause of India, for the way in which they have been trying to obviate the obstacles that are being attempted to be placed on the attainment by India of her natural and legitimate ambition. I believe that the Honourable the mover of this Resolution was perfectly justified in impressing upon the Government the necessity of expediting the reforms. It is common knowledge that ever since the Reforms Inquiry Committee was set up by the Legislative Assembly, there has been an incessant demand in the country for a further and more substantial advance, particularly during the last six or seven years and, as the Honourable the mover has rightly pointed out, since the appointment of the Simon Commission, this question of India's constitutional advance was the one question which more than every other has engaged the attention of public men, both in England and in India. I need not take the House through all the various inquiries that have been set up in the attempt to solve this problem. As we are all aware, Sir, as the result of these inquiries and consultations, with the help of the three Round Table Conferences and the various committees which were set up by them, the White Paper was issued and proposals formulated. Then the Joint Select Committee was set up to examine these proposals and this committee did its work with the help of our Indian representatives some of whom assisted it in the capacity of assessors and others in the capacity of witnesses.



[Saiyed Mohamed Padshah Sahib Bahadur.]

Sir, opinions were expressed about the proposals that were formulated in the White Paper in this House and also in the other, as well as by the various important political organizations in the country. Again, the British-Indian delegation also submitted a joint memorandum, pointing out the directions in which it was desirable to effect modifications in order to make these proposals acceptable to the country and I am glad that the British delegation did submit this memorandum for otherwise it would have been unable to give to the Joint Parliamentary Committee the benefit of their views, inasmuch as it was ruled that this part of the delegation was to become *functus officio* as soon as the examination of the witnesses was over.

Therefore, Sir, I feel that there is enough material to help in the solving of the problem which has been awaiting solution for all these long years. All the matters which are connected with this constitutional question have been thoroughly examined and every aspect of this question has been closely and carefully scrutinized. The settlement of this question, Sir, has been long overdue. I am strongly of opinion that this is not the time for any hesitation, indecision or procrastination. For I feel that procrastination in this instance is bound to prove the veritable thief of time ; it is bound to rob you of the opportunity which you now have of inaugurating the reforms with a substantial chance of success. There is a large body of men in this country who are still ready to co-operate, who are still ready to work the reforms, if they are inaugurated without any avoidable delay. Again, recently there has happily been a revulsion of feeling in other quarters also. Several amongst the extremist sections have come to recognize the futility of boycotts and unconstitutional methods. They are now thinking of entering the Legislatures and directing their energies into more useful and effective channels. Therefore, Sir, if the reforms are introduced now without any unnecessary delay, there is every possibility of a very large section of the Indian people coming forward to work the new constitution and make it a success, but if there is any undue delay it is just possible that the situation might become much worse and more difficult. That this is so is obvious from the way in which events have been moving both in India and in England. In England, as my Honourable friend, Mr. Naidu has just observed, forces are already at work in order to deprecate and frustrate the attempts of His Majesty's Government to do justice to India. Sir, as we have seen from the newspapers, commission after commission is being sent to this country by the Tory section, ostensibly for the purpose of studying the situation here, but really to help the Tory section in England to distort facts and paint things after their own fashion. These commissions are sent here that they might clutch at any differences that they might find in India and make it appear to the authorities that there is no unity among the Indians in regard to the White Paper. Besides this, desperate efforts are being made to excite prejudice against the White Paper proposals both in England and in India. Bitterness is sought to be engendered in India by all kinds of attempts being made to qualify the solemn pledges which have been so repeatedly given to us ; and opposition is being mobilized in England by making it appear that in their attempt to implement those pledges His Majesty's Government are embarking on a policy of abdication. Therefore, it is quite patent that the situation is getting worse and worse. Unless something is done at once without any loss of time, it is just possible that the chances of the success of the reforms might become jeopardized.

One word more, Sir, about one observation made by the Honourable the Leader of the Progressive Party. I am sorry to say he was not well advised in making that reference to the communal aspect of this question. Sir, it is only these ill-considered utterances on our part which go to give a handle to the Die-hards in England and to make it appear as though there is still a sharp difference of opinion amongst us as regards the White Paper proposals. The Communal Award, whether good, bad or indifferent, is the one thing from which there is no escape for us, so long as it is not possible for us to come to an understanding between ourselves. As my Honourable colleague, Sir Phiroze Sethna, observed in his speech, most of the delay that has been caused in this matter has been due to our own conduct and has been due to our inability to come to an agreement and propose practical suggestions which would have helped to solve the problem. Sir, several opportunities were offered to us to come to this agreement and even before Government began to make attempts to solve this problem, there have been many attempts on the part of non-officials in India, and on the part of leaders of various sections here, to come to an agreement on this point. But, unhappily, Sir, every one of these attempts ended in miserable failure. I am therefore of opinion that it is not advisable on our part to try and unsettle these matters which at last have been settled in some way by the Communal Award. My humble advice to my friends who disagree with me on this point would be that for want of a better arrangement we should be prepared to give this a fair trial and to see after this has worked for some time, if it is not going to improve matters and bring about an atmosphere in which it might be possible for us to come to some better arrangement which might be more acceptable to the people here.

As I observed, Sir, it is very dangerous to allow matters to drift and to allow—

**THE HONOURABLE THE PRESIDENT:** The Honourable Member has already referred two or three times to the subject of delay.

**THE HONOURABLE MR. SAIYED MOHAMED PADSHAH SAHIB BAHADUR:** I just want to make one observation, Sir.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** Is the Honourable Member referring to the White Paper?

**THE HONOURABLE THE PRESIDENT:** Order, order. Will you proceed?

**THE HONOURABLE MR. SAIYED MOHAMED PADSHAH SAHIB BAHADUR:** I am referring to the White Paper and to the Resolution before the House. I do not want to suggest that the authorities are deliberately delaying the reforms. I do admit that they are quite in earnest. I fully appreciate their earnestness and their anxiety to do everything, and to push things on with every possible dispatch. Above all, the presence of His Excellency Lord Willingdon at the helm of affairs in India is a sure guarantee to us that every possible effort will be made by the Government of India to see that there is no delay which can be avoided. Sir, it is a fortuitous coincidence that one who is such a distinguished and trusted statesman of Britain is also a trusted friend of India. Let us therefore hope that the visit which His Excellency is shortly going to pay England will bring about the desired results. Let us also hope that His Excellency will be able to make the authorities in England realize the gravity of the situation and the danger

[Saiyed Mohamed Padshah Sahib Bahadur.]

involved in indecision and delay. Let us further also hope, that when he comes back, he might be able to bring with him a message of hope which would go to put more heart into the people of this country, bringing the reforms more clearly and closely in sight.

**THE HONOURABLE MR. HOSSAIN IMAM:** Sir, I am thankful to the House, especially to my Honourable colleague, Sir Phiroze Sethna, for the support they have given me. I was very surprised that the Honourable the Leader of the House should have thought that I gave expression to my own opinion when I said that we expected to have the reforms in 1940. I was not voicing the demand of India or my own expectations. We would welcome it tomorrow. I was simply referring to the way in which the British Government is dallying which shows that they have no intention of introducing the reforms immediately. I should like to draw the attention of the House to page 11, paragraph 19 of Volume III of the Records of the Joint Parliamentary Committee, in which the Secretary of State says as follows :

"It is any way clear that some considerable betterment of central finances and on an assured basis, must take place before the centre can make surrenders necessary to establish the provinces"—mark the word 'provinces'—"as independent financial units on such terms as will allow them to rest securely on their own resources".

I was simply referring to the hindrances which have been put in the way of the establishment of the reforms. I wish to associate myself with the remarks of my Honourable colleague, Sir Kurma Venkata Reddi, as regards Burma. He has interpreted the opinion of India quite correctly. The only thing in which I wish to amend his statement about the working of the reforms is that we are all willing to work the reforms whatever their nature. But how we will work depends on the nature of the reforms. If they are satisfactory, we will work them for their own sake ; if they are unsatisfactory, we will work them to end them or mend them.

As regards the distribution of resources, we had before us the report of the Percy Committee and some further light was thrown in one of the memorandums which the Secretary of State has submitted to us, but even they failed to give any clear outline of the financial position of the future reformed constitution. Sir Phiroze referred to the opposition of the Tory Die-hards. Some people have said that it was a put-up job, but I personally agree with *The Statesman* that it is disappointed expectations which is responsible for the barrage of opposition which has been going on in Parliament. The Leader of the Independents drew our attention to the fact that the Die-hard element is trying to put a spoke in the wheels of reform. Our complaint, Sir, is that while they are doing this openly, there are others who are doing this secretly, and they are in my opinion worse enemies than those who face us and whom we know we have to oppose. I was rather sorry that the element of communal heat was engendered in this House. I expected that the Leader of the Independents while he was on his feet would refer to something else. We are always accused of not being able to compose our differences ourselves ; but when we do compose our differences, when we do come to a decision, what happens ? The Leader of the Independent Party, a member of the Statutory Railway Board Committee which sat in England, knows that they came to a decision and they made a compromise and the Secretary of State did not accept that compromise. Has he any word of condemnation for the Secretary of State for that action ? If the Secretary of State does a thing which is against the interests of Mussulmans, then there is no condemnation for that. But if anybody else says a word, not to attack Muhammadans but to attack others,

even that is supposed to be disadvantageous to the Mussulmans, then that person must be attacked and attacked every time when he gets up. It is a wrong policy. We must realize, and I realize it, that we can find friends only in those whom we can impress with our importance.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** One question is, is it advisable for your Leader to rake up a question which has happily recently been given a quietus. Are you not aware of the communal reflex—

**THE HONOURABLE MR. HOSSAIN IMAM :** The White Paper was published on the 18th March ; but the report on the Statutory Committee was published after that, and the memorandum on that report has not been attacked by the Leader of the Independent Party, a report to which he himself was a signatory.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** It is irrelevant to talk of that matter. I had a hand in bringing about that compromise—

**THE HONOURABLE THE PRESIDENT :** Order, order. Will you please not stray aside from the terms of the Resolution ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I was referring, Sir, to Volume III of the records. The report of the Statutory Railway Board Committee forms part of the Joint Parliamentary Committee's records. It is for that reason I brought in the question, otherwise I would not have done so.

In view of the fact that the Government is prepared to forward the debate of this House to the Secretary of State, who is the right authority to consider the matter, I do not find it necessary to press this Motion and I would request the permission of the House to withdraw it.

The Resolution\* was, by leave of the Council, withdrawn.

The Council then adjourned for Lunch till Half Past Two of the Clock.

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The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

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### RESOLUTION *RE* COMMUNAL REPRESENTATION ON STATE RAILWAYS.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I rise to move the Resolution which stands in my name and which reads thus :

"This Council recommends to the Governor General in Council to determine the proportion of communal representation of employees on State Railways on the basis of the population of each community in India, and that the proportion of each community be separately determined in respect of firstly, officers, and secondly, subordinates, clerks, menials and all other employees including workshop labourers and establishment."

Sir, personally I am against the policy of communal representation, but as it is now the accepted policy of the Government I have thought fit to move

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\* *Vide* page 465, *ante*.

[Rai Bahadur Lala Ram Saran Das.]

this Resolution. My object in moving this Resolution is that Government while determining the proportion of various communities should take into consideration the total number of its employees and not a portion of it. At present railways have arbitrarily taken a certain portion of its employees, upon which they seem to have determined the communal proportion. This seems to me unjust and inequitable. What is the reason why all the employees are not taken into consideration when determining the communal proportion? At present workshop employees, the inferior servants and all low paid servants are not taken into consideration at all while considering this matter. Sir, Mr. Hayman on behalf of the Government said in the other House in 1930 that the pledge which Government gave in 1925 stands. I doubt how far that pledge is being fulfilled by Government. The other day the Honourable the Railway Member observed that the percentage of Indian gazetted officers at present is 39. What an extremely small number of Indian officers? Then, Sir, in the report of the Railway Board which has been handed to us for this year, in the year 1932-33, out of a total number of ten superior officers recruited for State Railways, four were Europeans, two Hindus, one Muslim, two Anglo-Indians and one Indian Christian. That is to say, that the percentage of Indian recruitment in the year even if domiciled Europeans and Anglo-Indians are to be taken as Indians was no more than 60 per cent. The Government pledge was to take 75 per cent. Indians or Europeans of Indian domicile and Anglo-Indians while recruiting for the superior services. Against that 75 per cent. we find that the percentage for the year under reference was only 60. In Company-managed Railways the position was still worse. Out of a total of 26 superior appointments made in the year as many as 15 went to Europeans and only 11 to Indians of whom three were Anglo-Indians. The Honourable Sir Joseph Bore in the other House observed that Government claimed credit that during the last four years the percentage of Indian gazetted officers had risen from 28 to 39. Sir, in case this scale of progress is maintained it will take 25 to 30 years to Indianize the railway services. I leave it to this Council to consider whether Indianization on this scale is proper and whether this scale of Indianization corresponds with the pledge to which I have already referred and which was given by Mr. Hayman in the other House?

Sir, in case we take the case of subordinate services in railways carrying a salary of Rs. 250 a month and over, we find that at the end of March, 1932, there were 1,402 Hindus, 311 Muslims, 2,355 Anglo-Indians, 141 Sikhs, 135 Indian Christians and 178 other classes. In other words, out of a total of 4,522 posts no less than 2,355 or more than 50 per cent. are held by Anglo-Indians. Anglo-Indians are paid at a higher rate than Indians doing the same work. I must say that Indians are quite prepared to treat Anglo-Indians as Indians, but only on one condition. That condition is that Anglo-Indians and domiciled Europeans should have all the rights and privileges of the Indian communities on the condition that they definitely throw in their lot with other Indian communities, share their joys and sorrows, their ideals and aspirations, fight their battles and in every possible matter accept a position of perfect equality with them. They cannot have the best of both worlds, and cannot be Indians only for certain definite purposes and Europeans for all other purposes. As long as they continue to have this ambiguous position, they, as well as the Government, will have only themselves to thank if the people of India will not recognize them as Indians for the purpose of Indianization of services. If racialism in service is bad, communalism is hardly better.

Sir, the demand underlying my Resolution is a very just one and I hope that this Honourable Council will give favourable consideration to it. My only desire is that the communal proportion on basis of population be fixed and be made known to us as far as each community is concerned and that instead of taking a partial number of the various employees in railways we should take the whole number.

With these words, Sir, I commend my Resolution.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : If I have your permission, Sir, I would like to suggest one small verbal amendment in this Resolution to make the latter part of it read

"In respect of firstly, officers, secondly, subordinates, thirdly, clerks, and fourthly, menials and all other employees, etc."

THE HONOURABLE THE PRESIDENT : How do you distinguish between subordinates and clerks ?

THE HONOURABLE MR. HOSSAIN IMAM : Well, Sir, there are upper subordinates and lower.

THE HONOURABLE THE PRESIDENT : Does the Honourable the mover agree to this ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I have no objection, Sir, to agreeing to that proposal if the Government also agrees.

THE HONOURABLE SIR GUTHRIE RUSSELL : I have no objection.

THE HONOURABLE THE PRESIDENT : Very well. I have no objection.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, the Resolution which my Honourable Leader has moved is so reasonable that I expect the entire House to support it. The Muslim community has always been demanding that their share should be fixed and, as is well known in this House, Mr. Hasan made inquiries about this and submitted a report which has been passing like a shuttlecock between the Home Department and the Railway Department. When I last made inquiries, it was found to be in the Home Department. The reason for moving this Resolution is that we wished that Indianization of the officers' rank should proceed at a more rapid pace. At the present moment, as the statistics quoted by my Leader shows, Indianization is not going on rapidly enough. The fact that Anglo-Indians are now classified in the category of Indians makes the position impossible to real Indianization. If the statistics of about ten years are seen it will be found that the numbers of Anglo-Indians has increased in the officers' rank very considerably. We do not, Sir, grudge them this so long as there is a *pari passu* increase in Indianization as well. But we find that under the garb of Indianization the real thing that is happening is that Europeans are being replaced by Anglo-Indians. Very few Indians find a place in the Railway Board itself. We were consoled by the appointment of a so-called Indian, but that Indian happened to be neither a Hindu nor a Muhammadan nor an Indian Christian nor a Parsi. The fact that at the moment recruitment has been reduced to a great extent makes it more incumbent upon us that Indians of the right mettle should find a place in the national business. For these reasons this Resolution has been brought. I hope the Chief Commissioner will not disappoint us and accept it.

THE HONOURABLE MR. BIJAY KUMAR BASU (Bengal : Nominated Non-Official) : Sir, I have hitherto always thought of the Leader of the Progressive Party in this House as a nationalist patriot. I always thought that he was a patriot of the right type to think of India as a nation and not as belonging to several communities. This Resolution, to my mind, is, if I may term it, reactionary, and shows that the Leader of the Progressive Party is progressing backwards. Sir, so far as I have known about Indian traditions and Indian culture, especially the Sanskrit culture, if I may say so, has always been not to cavil at the little things here and there but to see the whole world as your kin. In this respect also, I charge the Leader of the Progressive Party with having failed to come up to my expectation. This Resolution has really shown his clay feet. Sir, if the Government's accepted policy was that there would be communalism in every aspect and every department of Government service, I for one should have thought that we here should not add fuel to the fire but instead of that we should try to quench and put out the fire altogether. (*An Honourable Member* : "But can we do that?") If we cannot do it, it would be our misfortune but not our fault. That is why I say that if people like you try to do something to put out that fire and develop a spirit of true Indian nationality which will take no account of religion, caste, colour or creed, that will be a consummation devoutly to be wished. Although, Sir, the Honourable the mover's speech was a tirade against Anglo-Indians, he should not forget that this sort of Resolution would prove a boomerang which will come back and hit its thrower some time or other. I thought the Honourable the mover of the Resolution was a far-sighted statesman, and would realize that this sort of Resolution was bound to hit us back at the long last. In order that we may perform our duties in the way of developing an Indian nationalism and an Indian nationality, we should do our work, in my opinion, in such a way that it would redound to our credit to have followed that path, and that it would be also for the benefit of the motherland and that all differences should be buried, that all strifes and animosities should be allayed and we should let the jarring notes of communal dissensions be hushed in the presence of the larger question of the good of the whole country and developing a true national spirit.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhammadan) : Mr. President, the Honourable Mr. Basu has attacked the Honourable the mover of this Resolution. I do not think there is justification for the remarks he has passed. For the Honourable Mr. Basu will remember that the Honourable Rai Bahadur Lala Ram Saran Das began his speech by saying that he himself is personally opposed to the reservation of percentages for different communities. And yet, you might well ask why has he brought forward this Resolution? From the observations made by the Honourable the mover, I take it that he wants to draw the attention of the Honourable the Railway Commissioner to the fact that there is one particular community which evidently appears to have been very largely favoured. Now, I may point out to the Honourable Rai Bahadur Lala Ram Saran Das that both the railways and the telegraphs were until the last few years practically the preserves of the Anglo-Indian community. Since agitation has been made, the number of Anglo-Indians in both these departments is being reduced.

Sir, Honourable Rai Bahadur Lala Ram Saran Das quoted a certain percentage of new entrants from the Anglo-Indian community which he thought was very large. Perhaps the Honourable Sir Guthrie Russell, when he speaks, will be able to prove to the House that if this number was large during last

year, it is smaller than what it was in previous years and will be yet smaller in later years. If that be so, then I do not think there is justification for this Resolution. You cannot appoint just a few men now where thousands were appointed before. But if Sir Guthrie Russell assures this House that as time goes on more Indians will take the place of Anglo-Indians, which they cannot do immediately, then I think it will be very right for the Honourable Rai Bahadur Lala Ram Saran Das not to press his Resolution.

Speaking of the appointment of gazetted officers, the Honourable Rai Bahadur Lala Ram Saran Das said that they were only 60 per cent. instead of 75 per cent. as recommended by Government, and from that he drew the inference that at this rate it may take years and years before the higher services of the railways are Indianized. I would like to point out one thing and that is to mention the vernacular proverb which says that it may take you years and years to make your first lakh of rupees but once you have made your first lakh, then the other lakhs mount up in very quick time. I do hope, now that a beginning has been made and there are already 39 gazetted Indian officers, that we will not have to wait for many years before that number of 39 increases to 390.

**THE HONOURABLE SIR GUTHRIE RUSSELL** (Chief Commissioner of Railways): Sir, I do not propose to go into the details of the arguments and figures quoted by the Honourable the mover of this Resolution or the arguments used by other Honourable Members. I merely propose to state the present position. I think I cannot do better than quote what was said by the Honourable the Railway Member during the debate on the Demands for Grants last months. I think that states the position as clearly as it is possible at present to state it. He said :

"We (that is, the Government) recognize that this question of adequate representation of communities in the services is one which arouses the liveliest interest in all quarters. It is a question beset with very many difficulties and it is not a problem which can be lightly tackled or which can be hastily settled. The House will realize the diversity of interests concerned ; it will also realize that any decision taken in respect of one department must have repercussions in respect of other departments. We have now tried, I would like to assure the House, to give the fullest consideration to criticisms and claims from all quarters and our final proposals which have been completed are now before the Secretary of State. I hope that it will be possible, Sir, to announce a decision on this matter at no distant date. In view of that statement, Sir, I hope that my friend will not press his Motion".

I trust that my Honourable friend, Rai Bahadur Lala Ram Saran Das, will follow a similar course.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** : Sir, I am sorry that my friend, the Honourable Mr. Basu, has accused me of several charges, but I can tell him straightaway—and my Honourable friend Sir Phiroze Sethna has already made a representation on my behalf—that I am one of those who are against communal representation. My Honourable friend Mr. Basu claims to be of the same opinion as I, but he had not the courage to speak in this House when Government is pursuing a policy of communal representation. I might state the Punjab proverb meaning that when a man is hit by an arrow he should not presume it to be false. My friend is in that position. He still argues against the policy which is now an accepted one. The communal representation or the disruption in our social and public life has been created by the Government itself and not by me. My friend has no justification whatsoever to accuse me in the way that he has done ; he ought to have accused the Government instead. Does it mean



[Rai Bahadur Lala Ram Saran Das.]

that he in future will advocate against this communalism? Will he try to get this decision of the Government accepting communal representation quashed?

THE HONOURABLE MR. BIJAY KUMAR BASU: If I had the power I would do it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I might say that you have neither the courage nor the power. Sir, he had not even the courage to support even my proposal that the communal representation must be based upon the total number of employees and not on any arbitrary portion. On the other hand, he said that if we do that, we will create more and more tension. It is not a question of creating tension. The Government, whether that tension comes or not, is bound to pursue the policy which they have adopted. Whether Mr. Basu is against it or for it, the Government will not make a change. As long as that policy is being pursued, I request the Government to be equitable and just and not to determine the proportion by a portion only which suits them and not by the total.

My Honourable friend Sir Guthrie Russell has said that Government have put certain proposals before the Secretary of State and that shortly he will be in a position to announce how this communal proportion will stand and what will be the percentages. I hope, Sir, Government in their recommendations have based the communal proportion upon the total number of employees. If that is the case, Sir, I do not want to press the Resolution and I will wait till that decision of the Secretary of State is made known to us.

The Resolution\* was, by leave of the Council, withdrawn.

#### RESOLUTION *RE* ESTABLISHMENT OF AN IMPERIAL COUNCIL ON CO-OPERATION.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

"That this Council recommends to the Governor General in Council to establish an Imperial Council on Co-operation at an early date on the analogy of the Imperial Council of Agricultural Research."

Sir, since I became a Member of this House it has been my earnest desire to bring co-operation into discussion as this subject has been neglected by the Government of India for a very long time. This opportunity was only offered to me recently when the Government invited a Registrars' Conference in January last in which they put up a definite proposal for the consideration of the Conference to set up an Advisory Board on Co-operation. I fail to see why this most important subject has been neglected by the Government. Other subjects like education, public health, public works department, industries and agriculture are all transferred and yet they have all their connection with the Central Government one way or the other.

Sir, India is an agricultural country and the plight of the agriculturist is known to all of us. The indebtedness of the agriculturist is over Rs. 900 crores. Their illiteracy is greater than in any other country of the world. They do not know what is happening

3 P. M.

\* Vide page 418, ante.

outside their villages, and with all this the one and only source through which light can come to them is being neglected by the Government of India. Sir, the basic principle of co-operation is "each for all and all for each". That is the principle on which the co-operators are doing service to their brethren and helping one another. The importance and potentialities of co-operation have long been recognized and with your permission, Sir, I will just give one important sentence uttered by His Majesty the King Emperor in 1911. He said :

"If the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of the country".

That prediction holds good today and it is proved that it is doing a very useful service to the agricultural population of the country. Later on Commissions that have come to India, the Agricultural Commission and the Banking Enquiry Committee, have all laid great emphasis on the development of co-operation in this country. The Royal Commission on Agriculture said :

"If the rural community is to be contented, happy and prosperous, Local Governments must regard the co-operative movement as deserving of all encouragement which it lies within their powers to give".

Then, Sir, the Committee of Foreign Banking Experts appointed in connection with the Indian Central Banking Enquiry Committee have said the same thing. They said :

"The co-operative movement, in spite of imperfections and unavoidable set-backs, deserves every possible assistance from all quarters, because there is no better instrument for raising the level of the agriculturists of this country than the co-operative effort and a strong appeal to the banking interests of the country to assist this movement seems not at all out of place".

Sir, these were the views of foreigners who came here and saw the conditions of the country. With all this, however, we find that after the appointment of the MacLagan Committee in 1915, no particular effort has been made by the Government of India except the calling of Registrars' Conferences now and then, and even those conferences were not called for five years during 1928 to 1933. The co-operative movement received a set-back with the economic depression and the fall in prices of agricultural produce. It was making progress up to 1930-31, but since then it has received a definite set-back. Comparing the number of co-operative societies in British India and Indian States in 1927-28 and 1930-31, we find that in the former year there were 96,000 societies, which rose to 106,000 societies in 1930-31. The membership rose from 37.8 lakhs to 43 lakhs. The working capital rose during the same period from Rs. 37.6 crores to nearly Rs. 92 crores. The movement stood the shock of the Great War but it could not stand this economic depression and fall in prices, and since 1930-31 as I have said, it has been going down. The number of societies as well as the membership are decreasing. This was the time when these agriculturists deserved a lot of help as far as advances are concerned, but unfortunately the co-operative banks, seeing the condition of the tenantry, have begun to advance less and less. A large number of societies and banks were liquidated and the stability of others is also threatened on account of this depression. The main work being carried on by the department in the provinces is agricultural uplift and forming of better-living societies and improved methods of agriculture, as that is the only thing by which we can raise the condition of the tenantry. Under these circumstances it was very fortunate that my friend the Honourable Sir Fazl-i-Husain called this Co-operative Conference and placed a scheme for an All-India Advisory

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Board before it for discussion. Sir, I cannot better express the necessity for co-ordination of the activities of different provinces than in the words he himself used while inaugurating the Conference and, with your permission, Sir, I will quote one of the sentences from his speech. He said :

"It will be useful to me to exchange ideas and impressions, to take stock of the existing position and to confer together in the light of their various experiences to find a solution of the difficulties which were attributable to a spell of economic depression and which had obstructed the development of an important national activity".

That is what he said, Sir, and that is what we want in moving this Resolution. I know, Sir, that it is not possible to set up at once an Imperial Council on Co-operation on the scale of the Imperial Council of Agricultural Research. I admit that it is doing very useful work and if such a Council is established it will be a great help to the provinces. But to begin with I am content with the scheme suggested by my Honourable friend Sir Fazl-i-Husain, that is to set up an Advisory All-India Board, which could meet once or twice a year and give us the benefit of an exchange of views between the provinces, to know what their difficulties are and the steps they have taken to meet them.

Sir, we the non-officials have set up two All-India co-operative bodies, I mean the All-India Provincial Co-operators' Institute at Bombay and the Indian Provincial Co-operative Banks' Association at Madras. These two non-official bodies are doing some useful work, but in the absence of any all-India legislation, we could not get them registered and therefore they are working as unregistered societies on a co-operative basis. I hope the Government will bring an all-India legislation soon, so that non-official bodies like these may be registered and have the force of law. Sir, there is one other question about expenditure for this All-India Board. As far as I see Government will not be required to spend much money on this Advisory Board. A junior officer of the Education and Public Health Department can take day to day work with one clerk only and this will act as a clearing house for information. It is certainly necessary, Sir, that this office should issue a monthly bulletin or magazine in which information received from provinces should be published for the benefit of all the provinces.

Sir, it is also very necessary at this stage that we must have an all-India college for higher training in co-operation. We are feeling its necessity very much and there is no institution in India in which higher training can be given. Persons who desire such training have to go abroad. I hope that the Government will feel the necessity and the force of this movement and establish this kind of college at a central place by which all provinces may derive benefit. This Advisory Board may work for some time and after that it can be developed on the lines of the Imperial Council of Agricultural Research when more funds are available and the financial position of the Government is better. What I want to emphasize is that the Government should no longer neglect this department which is one of the most essential departments of nation-building subjects.

Sir, I cannot close my remarks but by quoting a sentence from "The Co-operative Movement in India" by Eleanor Hough to show what co-operation has done and is doing for the masses. In this book the author has finished with one very good sentence :

"There are evils against which co-operation has demonstrated its effectiveness in some measure and indicated its still greater possibilities for the future. It has helped to relieve poverty by reducing members' indebtedness, lowering interest rates, consolidating holdings, increasing productiveness and thrift, lowering the cost of necessities to

members, providing for the disposal of their products and discouraging unnecessary social expenditures ; it has done something to raise the standard of living ; it has made at least a beginning in reducing the appalling amount of illiteracy ; it has increased the country's banking facilities ”.

With these words, Sir, I move.

\*THE HONOURABLE SIR KURMA VENKATA REDDI (Madras : Nominated Non-Official) : May I crave your indulgence, Sir, for suggesting a slight amendment to this Resolution which, if you are pleased to accept and if my Honourable friend the mover also accepts, would facilitate matters and would leave very little opposition ? The amendment is this. At the end of the Resolution the words

“ ‘on the analogy of the Imperial Council of Agricultural Research’ are to be replaced by the words ‘on the lines indicated by the Honourable Member for Education, Health and Lands in his recent circular which was discussed by the Registrars’ Conference last month’.”

THE HONOURABLE THE PRESIDENT : It would change altogether the character of the Resolution.

THE HONOURABLE SIR KURMA VENKATA REDDI : I do not think so.

THE HONOURABLE THE PRESIDENT : The Honourable mover wants an Imperial Council on the analogy of the Imperial Council of Agricultural Research, while your amendment is entirely of a different character. I do not think I can permit it.

THE HONOURABLE SIR KURMA VENKATA REDDI : Very well, then, Sir, I am afraid I cannot accept those words

“ on the analogy of the Imperial Council of Agricultural Research ”.

THE HONOURABLE THE PRESIDENT (to the Honourable Khan Bahadur Mian Sir Fazl-i-Husain) : Are you prepared to accept the amendment ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : No, Sir. That matter having ended, I was going to speak.

THE HONOURABLE THE PRESIDENT : Because I think it changes the character of the Resolution.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : That is quite true.

When the Honourable Member who has moved this Resolution was waxing eloquent on the advantages of co-operation, I was revolving in my mind the picture of a province which had the good fortune of possessing a Minister, an enlightened Minister, who entertained the same ideas as the Honourable Member does of the value of co-operation, how enthusiastically he would work and how he would work co-operation for all it was worth and what a transformation would be brought about in the economic condition of that province. There are some things which are to be done by the Central Government and there are other things which must be left by the Central Government to be done by Provincial Governments and unless the Central and Provincial Governments do those tasks which have been allotted to them, confusion is bound to ensue. Therefore although I cannot but be most appreciative of the goodwill which

\* Speech not corrected by the Honourable Member.

[Khan Bahadur Mian Sir Fazl-i-Husain.]

underlies the Resolution moved by the Honourable Member, I cannot see my way to commit the Government to the extent of accepting it. As a matter of fact, the Honourable Member during the course of his speech has realized that at the best what he wants is an advisory committee to deal with co-operation being constituted in the near future. And when it has worked and worked well, then he will leave it to be considered whether an expansion of it on the lines of the Imperial Council of Agricultural Research is possible or not. As a matter of fact, there are just a few points to which I will venture to draw his attention and I feel he will be convinced that the analogy between the two is rather remote. The Imperial Council of Agricultural Research is intended to secure the promotion, guidance and co-ordination of agricultural and veterinary research in India. It makes grants for schemes of research to imperial and provincial institutions, universities and private individuals. In the realm of co-operation, the Honourable Member will realize there is no scope of scientific research in that sense although there may be a vast amount of literature on the subject to be studied and digested with a view to making its results available to provinces. Secondly, in the solution of the co-operative problem in any province a knowledge of the peculiar circumstances of that province is of the utmost importance. The success of co-operative societies in any area is dependent on local factors such as the psychology of the people, their needs, their habits. Their problems are therefore of local importance and need a prolonged study of local conditions and in this respect it materially differs from the subject-matter of the researches which are being conducted by the Council of Agricultural Research. Thirdly, when we look at the non-credit side of co-operation, it would appear that the analogy was entirely misleading. Take, for instance, the question of the consolidation of holdings, better living societies, marketing societies, etc.

As regards agencies for providing easy credit to the rural population, there is, as Honourable Members may remember, a provision in the Reserve Bank Bill for the creation of a special agricultural credit department. An expert staff, it is hoped, will be maintained by that department to study all questions of agricultural credit and will be available for consultation by provincial co-operative credit societies. Although it is not possible at present to say what the exact scope of the department will be, it will presumably be ready to give friendly and expert advice to co-operative societies which ask for advice and assistance. The advice will cover a good deal of ground and will include, for instance, advice as to the proportion which the various types of advance should bear to each other, the advisability and technique of undertaking advances against crops, the formation of separate corporations for the redemption of debt and so on. Therefore, it will be apparent that with this institution as a part of the Reserve Bank coming into existence in the near future, the need for the sort of society that the Honourable Member has in view more or less does not appear to be pressing, to put it very mildly.

It is true, Sir, that I have had under consideration a proposal to establish a Central Advisory Board which will consist of representatives both official and non-official connected with the co-operative movement in the provinces and will meet periodically. The Honourable Member has said that the Government of India did not call meetings of Registrars in the last four or five years. That is not exactly correct. Had he said that no meetings were held he would have been right. You cannot hold meetings simply by calling them. You can only hold meetings if you call and people come in answer to your call. As a matter of fact, more than once when Provincial Governments were requested to say whether they would like to meet they said, "Well, we are in

the throes of this horrible economic depression and we do not think it worth while to come and spend time and money on it." Under those circumstances it was not possible to hold meetings. It was not because they were not called. It was because those who come and attend and take part in the meeting thought it was not right for them to do so. However, it is intended that this Central Advisory Board should meet once or more every year. Its functions will be entirely advisory, because the subject is a provincial transferred one. It will, however, be open to any province to seek the advice of this Board, but it will not have a binding effect on the province. Having asked for advice and received it, it will be open to them to act on it or not. It is intended that this organization should also serve as a clearing house of information and ideas by maintaining a reference library and books and journals supplying information at the request of provincial authorities, issuing periodical reports on the progress of co-operation in India and publishing from time to time monographs likely to be of interest and value to provincial co-operative departments. This proposal was placed before the Conference of Registrars of Co-operative Societies and they looked on it more or less favourably. It is intended, Sir, that the Local Governments be now addressed on the subject. The scheme cannot proceed any further unless the Local Governments are anxious that it be established, because after all it is for them. Government therefore has not made up its mind whether to establish it or not. They will be in a position to make up their mind when two things happen. Firstly, when provinces show that they are in earnest in desiring that it be established, and secondly, as the Honourable Members no doubt are aware, when conditions favourable to its establishment are forthcoming, that is to say, till the acute financial stringency that prevails and has been in the way of establishing any new venture, however small the cost of it may be, is removed, it is not possible for Government to move in the matter.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I rise to support the Resolution which has been so ably moved by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. Sir, the co-operative movement is a movement for the well-being of mainly the rural classes and it ought to be run on proper and right lines. We do want an organization at the centre to control the various co-operative movements in the provinces.

My Honourable friend the mover has observed that there ought to be a central institution to train the right sort of people who have to carry out the co-operative work. As far as the Punjab is concerned, I might say that there has been a great dearth of competent staff for being employed in the various co-operative movements. There have been a number of misappropriations, a number of embezzlements and irregularities, and as far as I understand, lately an ex-M. L. C., who was connected with a co-operative bank, was convicted and sentenced to five years of rigorous imprisonment.

**THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) :** Does that justify the condemnation of the whole department ?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I will come to the Nawab Sahib's point. I might inform my Honourable friend the Nawab Sahib that in the Punjab the co-operative banks are charging somewhere about 12 per cent. interest on loans to the poor agriculturists and I also understand that the co-operative banks are borrowing money from the Imperial Bank of India at the bank rate which now is  $3\frac{1}{2}$  per cent. Does the Honourable

[ Rai Bahadur Lala Ram Saran Das. ]

the Nawab Sahib consider that the co-operative banks in the Punjab are entitled to keep so large a margin of profit ? Where then is there the justification of their usefulness.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : Do you consider the department useful or otherwise to the agriculturist ? That is the main point. If it is a useful department, keep it ; if it is not a useful department, abolish it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : The co-operative bank is meant to find cheap money for the agriculturist, and as long as it does not find cheap money for the agriculturist, it is not performing its chief legitimate function. I must say that unless and until such a central institution, as is proposed by the Honourable the mover is founded, and incompetent and untrained staff is not employed, it will lead to the failure of the co-operative movement as far as fulfilment of its objects are concerned, at any rate in the Punjab.

Sir, the number of prosecutions in the Punjab of employees of the various co-operative banks has run so high that things have come to a crisis. If I am wrong, the Honourable Nawab Sahib will correct me whether these prosecutions have or have not been increasing from year to year. I will welcome that institution, Sir, and I will also welcome that our Honourable Leader may find his way and succeed in establishing a Central Council whereby the various provinces might be benefited by their advice, and the co-operative movement might be run on useful lines in which it is run in certain other provinces and not as in the Punjab.

With these words, Sir, I support the Resolution.

THE HONOURABLE THE PRESIDENT : Resolution moved :

“That this Council recommends to the Governor General in Council to establish an Imperial Council on Co-operation at an early date on the analogy of the Imperial Council of Agricultural Research.”

The Question is :

“That that Resolution be adopted.”

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, may I reply ?

THE HONOURABLE THE PRESIDENT : But you never got up. My eyes were twice directed towards you.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I thought others were going to speak, so I did not get up.

THE HONOURABLE THE PRESIDENT : I am afraid I cannot set up such a precedent now.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Perhaps the Honourable Member may like to withdraw his Resolution instead of having it defeated ?

**THE HONOURABLE THE PRESIDENT :** If he says so I have no objection. Are you agreeable to withdraw the Resolution ?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Yes, I withdraw the Resolution.

The Resolution\* was, by leave of the Council, withdrawn.

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**REQUEST BY HONOURABLE MEMBERS FOR THE ALLOTMENT OF  
AN EXTRA NON-OFFICIAL DAY.**

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** May I be allowed to make a request, Sir ? As we anticipate that the Council is likely to sit up to the middle of April, we request you to be so kind as to arrange for one more non-official day for us, as I understand that in the other House another non-official day has been allotted.

**THE HONOURABLE THE PRESIDENT :** I have received a request from several Honourable Members of this Council to arrange for an extra day for non-official work, but this does not rest with me. The matter rests with the Governor General to allot days for non-official and official work. However, I will recommend the Honourable the Leader of the House to take the request of the Honourable Members into consideration and if there is sufficient work and if it is possible to allot another day, he will kindly arrange for it, especially as he told us on Monday last that we were unemployed.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Thank you, Sir.

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The Council then adjourned till Eleven of the Clock on Monday, the 19th March, 1934.



## APPENDIX.

*Extract from the Statesman of the 11th March, 1934.*

### THE WAITING ROOM.

India to-day is like a railway station. The train that everybody waits for is a long time behind its schedule and still there is no sign of life in the signal box. And on the station the politicians who wait for the Reforms Express are now suffering from boredom. To a large extent there is a political truce. The civil disobedience movement has been perforce abandoned but its former participants have shut themselves out from the Assembly and the Councils and are consequently at a loss. They have no programme, no leaders and nothing in particular to do. They are as yet without a legal outfit to replace their vanished illegal stock in trade. Sleepiness has supervened punctuated by occasional outbursts when sleepers wake to find their neighbour's feet on their luggage or his elbows in their eyes. Internal rows are indeed the main diversion and there is, of course, always for those who now wistfully regret the day when they banged the Council door behind them the melancholy occupation of criticizing the speeches and achievements of those who stayed inside and of those who took their places. "Not thus and thus would we have fought Sir George Schuster and Sir Joseph Bhore or the Japanese delegates and the lads from Lancashire or this provincial Government or that, but thus and thus."

There is a general desire for an inspiring lead as an escape from spiritual confusion and intolerable boredom and never perhaps in our lifetime has a better opportunity been presented. Not easily will people be tempted again to embark on illegal programmes or throw their caps over the windmill for some barren policy of negation. They want something open and honourable in which every body can take pride and feel satisfaction. The earthquake has shown what can be done when everybody feels the same way and if it were not for its other and less pleasing results politics could do with an earthquake oftner. Stagnation combined with the longing for something better affects all parties. The Opposition inside the Councils feels it also and the various Governments with the best will in the world are hard put to it between the end of one regime and the opening of quite a different one. The Mohammedans are perhaps the most cheerful of those who wait for the Reforms Express. Though their chickens are not hatched they can hold the eggs to their ears and can distinctly hear the heart beat. And meantime there is Mr. Jinnah for a diversion, the new President of the Moslem League, who wants to stir them up against the White Paper.

There is the prospect of a general election at the end of the year. It seems certain that before then some attempt will be made to replace the old Parliamentary Swarajist Party which committed suicide in January, 1930, and that whether such a party is successfully formed or not a considerable number of former Swarajists will quietly abjure non-co-operation and will seek election. That will introduce some new interest but in itself it cannot provide a new inspiration. It is only too likely to mean more quarrelling about nothing much and more of the faction fighting from which the country has suffered so often when politicians set out to make their own and blast each other's careers and reputations. It is indeed high time that the Reforms Express was signalled in India. It is now said that about Whitsuntide it may emerge with a report from the tunnel of the Joint Select Committee somewhere on the wrong side of Westminster Station. That is a long way off and it is time that the wise men in England gave a thought to the prolonged boredom of the political Indian railway station and to the risk that what is in fact a magnificent opportunity for a peaceful and successful send-off may be turned by undue delay into a fiasco. Nor can it truthfully be said that Mr. Churchill's attack on Sir Samuel Hoare for the act of justice which has been done to India over the Army capitulation charges or the spectacle of the Duchess of Atholl weaving the airy fabric of a dream out of the precise prose omitted by the European Association or of Lady Houston leading the Defence League to battle in the Bally Houstoned *Saturday Review*, while Mr. French, late of Bengal, expounds the alleged views of his colleagues of the Indian Civil Service increase the general conviction that the House of Commons is a suitable instrument for governing modern India. On the contrary, the more it exhibits its inevitably increasing disabilities the more it is likely to inflame Indian nationalism in the least desirable way. Most regrettable of all is the revelation of the depth to which British politics is still imbued with the party virus. In the world of today, a dangerous world full of perils for nations from without and within, the attitudes of the Conservative caucus, the Labour caucus and the Liberal caucus look at the distance of six thousand miles equally suicidal, unpatriotic and thoroughly contemptible. All of them give the same impression of grasping for office and putting their party organization and their hopes of success at the polls before the common interest. Mr. Baldwin and Mr. Ramsay MacDonald working together seem likely to cut a better figure in history than any of their opponents, but how eloquently would Mr. Churchill have defended the White Paper had they thought fit to find a place for him in the Cabinet!

## COUNCIL OF STATE.

*Monday, 19th March, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### QUESTION AND ANSWER.

#### CAPITATION CHARGES BEFORE, DURING, AND AFTER THE GREAT WAR.

79. THE HONOURABLE MR. HOSSAIN IMAM: (a) What was the capitation charge (i) before the Great War, (ii) during the Great War, and (iii) for the first three years after the Great War?

(b) What was the demand of the War Office for capitation charge in 1923?

(c) What was the actual cost of training a British soldier in 1923 and 1932?

(d) When was the estimate of actual expenditure of training last made, and what were the then figures?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) (i) The payment in 1913-14 in respect of the army was £917,287.

(ii) The payments during the war on the same account varied between £872,200 and £930,700.

(iii) In 1920-21 the army payment was £1,932,787 and the Air Force payment was £100,000.

In 1921-22 the corresponding figures were £1,976,078 and £92,000 while in 1922-23 they were £1,702,000 and £95,500.

(b) £2,283,000.

(c) and (d). Detailed actuarial calculations of their demand were produced for the first time by the War Office in 1926. On the basis of these calculations, it would be fairly accurate to say that the cost in 1923 of recruiting and training a British infantry soldier for one year was £190-10-0. Since then rates of pay have been reduced and prices have fallen, but material is not available in India to work out similar details for 1932.

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### DEATH OF RAJA SIR MOTI CHAND.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, I have to mention this morning the sad death of the Honourable Raja Sir Moti Chand, a Member of this House I understand since the Reforms. We have been missing him for the last two or three sessions. It was last summer that he got an attack of paralysis and at one time it was

[Khan Bahadur Mian Sir Fazl-i-Husain.]

feared that the attack was going to be fatal, but his strong constitution and his strong will fought hard and he overcame that attack. From time to time I was informed that his health was improving. Last January when I was in Benares I went to see him and found him cheerful and, one may say, happy under the very trying conditions he was in. I had a few minutes with him. He was quite cheerful. He talked about the Council and it did never appear then that the end was so near. Those of us who have known him for some time have known him as a man of great sterling worth, a man who did not talk much but who thought a great deal and who had strong convictions. I am sure, Sir, I am voicing the feelings of the House when I say that his death has deprived the House of a most valuable Member, whose presence in the House was most welcome to the House and added dignity and prestige to the House and the House is the poorer by his death. He had a singularly useful and brilliant career in public life. He did what India needs most, helped and promoted industrial enterprises, took part in and looked after institutions of local self-government. I understand he was the first non-official chairman of the Benares municipality. He was chairman and director of various successful industrial enterprises. He was for a number of years an elected Member of the United Provinces Legislature before the Reforms. The loss of such a valuable member of society cannot but be deplored, and I am sure, Sir, it is the wish of the House that you be good enough to communicate the sympathy of the House to the bereaved family.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian) : Sir, I heartily associate myself fully with the remarks and expressions which the Honourable Leader of the House has expressed today at the untimely death of a great philanthropist and an all-India leader, Raja Sir Moti Chand. I had known him well for the last twenty years and the more I knew him the more I admired him. The Raja Sahib was a charming personality and his charities for the good of Indians are well known to all of us. In him we have lost a great personage and we condole his loss and through you, Sir, wish our condolences to be conveyed to the bereaved family. We had the privilege of having the late Raja Sahib as a member of our Party and the Party mourns the loss as it always valued greatly his advice and counsel.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadian) : Sir, I associate myself heartily with what has fallen from the Leader of the House regarding the qualities of head and heart of the late Honourable Raja Sir Moti Chand. I need hardly say that his affability and urbanity of manner were well known to the Members of this House. Sir, on behalf of myself and my Party I mourn his loss in this House. I request you, Sir, to convey the feelings of this House to the Members of the bereaved family.

THE HONOURABLE THE PRESIDENT : I desire also to join Honourable Members in the expression of sorrow which they have just made. The deceased was a useful Member of this Council for many years. He was a great industrialist, a banker, as well as for many years a Member of the United Provinces Legislative Council. He joined this Council in 1920, the first Council under the Montagu-Chelmsford Reforms scheme, and he was a very regular attendant, and we all looked upon the observations he made in this

House with great admiration and respect. He was a particular friend of mine and during his long illness through his son he carried on a correspondence with me and always desired to know how this Council, in which he took a lively interest, was progressing. As it is your wish, I shall convey to his bereaved family the sympathy and condolence of this House.

## STATEMENT LAID ON THE TABLE.

### AMENDMENTS MADE IN THE OTTAWA TRADE AGREEMENT RULES, 1932.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, I lay on the table a copy of the amendments made in the Ottawa Trade Agreement Rules, 1932, which were laid on the table on the 28th February, 1933.

## DEPARTMENT OF COMMERCE.

### NOTIFICATION.

#### TARIFFS.

*New Delhi, the 3rd March, 1934.*

No. 730-T. (11)/32.—In exercise of the powers conferred by sub-section (3B) of section 3 of the Indian Tariff Act, 1891 (VIII of 1891), the Governor General in Council is pleased to direct that the following further amendments shall with effect from 1st May 1934 be made in the Ottawa Trade Agreement Rules, 1932, namely:—

1. For rule 4 of the said Rules, the following rules shall be substituted, namely:—

“4. No article shall be deemed to be the produce or manufacture of **any country** to which these Rules apply unless the Customs Collector is satisfied—

(1) subject to the provisions of rule 4A that the article has been consigned from such country; and

(2) (a) where the article is unmanufactured, that it has been grown or produced in such country, and

(b) where the article is manufactured—

(i) that it has been wholly manufactured in such country from material produced in such country; or

(ii) that it has been wholly manufactured in such country from unmanufactured materials; or

(iii) that it has been partially manufactured in such country and that the final process of manufacture has been performed in such country, and that the expenditure on material produced and labour performed in such country in the manufacture of the article is not less in the case of an article specified in the Second Schedule than one half and in the case of other articles than one quarter of the factory or works cost of the article in its finished state:

Provided that where the goods were consigned from a British Colony the material produced and labour performed in any other British Colony may be reckoned as though it were material produced or labour performed in the colony from which the goods were consigned.

*Explanation.*—For the purposes of sub-clause (iii) of clause 2 (b) the final process of manufacture shall not be deemed to have been performed in any country in which no process other than a process of mixing, bottling, labelling, packing into retail containers or the like has been performed, but where such process as aforesaid has been performed in the country in which the final process of manufacture has also been performed nothing herein shall render the cost of such process ineligible for inclusion in the computation of the fraction of the factory or works cost of the article in its finished state which represents expenditure on material produced and labour performed in that country.

4A. Articles of a description specified in the first column of the Third Schedule which have been consigned from the United Kingdom but are in other respects eligible under rule 4 to be deemed to be the produce or manufacture of a country specified in the corresponding entry in the second column thereof shall be deemed to be the produce or manufacture of that country notwithstanding the fact that they were not consigned therefrom.

2. In rule 5 and in sub-rule (1) of rule 6 of the said Rules for the word and figure "Rule 4" the words, figures and letter "rule 4" or rule 4 read with rule 4A as the case may be shall be substituted.

3. In clause (ii) of rule 5 of the said Rules for the words "Second Schedule" the words "Fourth Schedule" shall be substituted.

4. In the first Schedule to the said Rules—

(a) for entry 18 the following entry shall be substituted, namely :—

"18. Malaya (i.e. the Straits Settlements, the Federated Malay States and the Unfederated Malay States of Johore, Kedah, Kalantan, Perlis and Trengganu)."

(b) entries 19 and 24 shall be omitted ;

(c) entries 20 to 23 shall be re-numbered 19 to 22 and entries 25 to 44 shall be re-numbered 23 to 42.

5. After the first Schedule to the said Rules the following Schedules shall be inserted, namely :—

#### "Second Schedule.

[See rule 4 (b) (iii).]

1. Machinery and component parts thereof meaning machines or parts of machines to be worked by manual or animal labour and any machines (except such as are designed to be used exclusively in industrial processes) which require for their operation less than one quarter of one brake-horse-power.

2. Carriages and carts which are not mechanically propelled and cycles (other than motor cycles) imported entire or in sections and parts and accessories thereof; excluding rubber tyres and tubes.

3. Motor cars including taxicabs and articles (other than rubber tyres and tubes) adapted for use exclusively as parts and accessories thereof.

4. Motor omnibuses; chassis of motor omnibuses, motor vans and motor lorries; and parts of mechanically propelled vehicles and accessories excluding rubber tyres and tubes.

#### Third Schedule.

(See rule 4A.)

Description of articles.	Country.
Angostura bitters . . . . .	Trinidad.
Rum . . . . .	{ Bahamas. Barbados. Bermuda. British Guiana. British Honduras. Jamaica."

6. For the heading "Second Schedule" the heading "Fourth Schedule" shall be substituted.

T. A. STEWART,

*Offg. Secretary to the Government of India.*

## RESOLUTION *RE* PUBLICATION OF THE REPORT OF THE CAPITATION RATE TRIBUNAL, ETC.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) :** Sir, I rise to move the following Resolution which stands in my name :

“ This Council recommends to the Governor General in Council (a) to request His Majesty's Government to publish the full report of the Tribunal on certain questions in regard to defence expenditure in dispute between the Government of India, the War Office and the Air Ministry including notes of dissent No. I and No. II, (b) to convey to His Majesty's Government the dissatisfaction of this Council with the inadequate contribution promised, and (c) to request His Majesty's Government to reconsider the whole question favourably ”.

Before I begin, Sir, to talk on the merits of my Resolution I beg to convey our grateful thanks to His Excellency the Commander-in-Chief mainly through whose efforts we have been able to secure some contribution in this connection. We also express our thanks to the Government of India for pursuing this question incessantly and trying to get a contribution though little out of the British Government towards the expenditure on the Army in India. Sir, my impression is that in case our gallant Commander-in-Chief had not exerted his utmost in the matter, perhaps the Government's effort would have entirely failed. I make an earnest request to His Excellency to pursue his efforts still further and to try to get a reasonable sum from the Government of Great Britain towards army expenditure in India.

Sir, although the report of this Tribunal was signed and submitted to the Government on the 17th January, 1933, it was not published till the 21st of December last year, and even then the report was not published in full, but in a modified form which suited the Government. The notes of dissent by the eminent jurists, the Right Honourable Sir Shadi Lal and the Honourable Sir Shah Muhammad Sulaiman, who were the members of the Tribunal, were not given in full, but were given in what I may be allowed to call a mutilated form. The reasons why those notes of dissent were not published in full are unknown to us. We expect to hear from His Excellency the Commander-in-Chief the reasons why these notes of dissent were not published in original as put in by the two eminent jurists. It does create a sort of suspicion in the public mind as to why there should not be a free and full publication of these notes of dissent.

Sir, the questions which were put before the Tribunal are embodied in the report and I need not take up the time of this Council by reading them again. There is evidently no dispute upon the question that the Army in India does serve imperial purposes at times. Since the British Government took over the direct administration of India into their hands from the East India Company there has been no less than fourteen times when the Indian Army served abroad for imperial defence and, if I mistake not, Sir, it is also a fact that such a huge army is not kept anywhere else in the world ready to go into action at short notice. After the war the army expenditure in India has vastly increased. It has increased because the centre of danger of imperial defence has shifted from West to East and for that purpose perhaps it has been thought desirable to keep a much bigger army in India now than before.

Sir, the question of capitation charges was one on which many committees sat and they all admitted to a great extent that the capitation charges are not to be made for the period that they are being made now. Certain committees were satisfied with a six months' charge ; others wanted nine and some

[Rai Bahadur Lala Ram Saran Das.]

one year. Sir, as far as the opinion of the majority is concerned, they are of opinion that in case capitation charges are to be made, the period ought not to extend for more than six months when India is made to pay capitation charges on British troops the British Exchequer must pay capitation charges of the Indian Army which is also liable to be used for imperial defence.

Then, Sir, the retention of the British Army in India to me and to many others of my views is that it is kept mainly for imperial purposes. In case the Indian Army had to replace the British Army and the same strength of fighting force had to remain in India, there would be to India a very considerable saving of £10 million sterling. Sir, I will take a passage from the report of the Tribunal regarding the amount of contributions that the India Office had suggested. It is given on page 15 of the report in paragraph 23, under the heading "Amount of Contribution".

"As to the amount of the contribution, we are unable to place it on an arithmetical basis. The India Office has tentatively suggested several alternative formulae on which a contribution might be based, *viz.*:-

- (1) A fixed percentage of India's total expenditure on defence; say one-half, about £18 million per annum (suggested by some members of a Sub-Committee of the First Indian Round Table Conference); or, alternatively, some lower percentage.
- (2) The extra cost of maintaining the British troops in India over the cost of maintaining a corresponding number of Indian troops; estimated at £10 million.
- (3) The existing defence expenditure of India relating to the cost of British troops—say £16 million; or, alternatively, a percentage of this.
- (4) The excess of India's defence expenditure over a certain percentage of India's assessable revenue.

None of these formulae appears to the majority of us to have any satisfactory foundation in principle, or to afford any guidance as to the amount of the contribution. We can only suggest that the amount of the contribution should be fixed in relation to the grounds on which we have recommended that it should be paid. Sir Shadi Lal and Sir Shah Sulaiman consider that the contribution should have some relation to the cost of the British troops in India, and Sir Shah Sulaiman further thinks that another suitable basis of its assessment is by fixing a maximum percentage of the Central Revenue, for which there are historical precedents".

Sir, from this it is quite clear that if the Indian Army replaces the British Army in India, which is one-third of the total British Army, there can be a yearly saving of £10 million effected. If we take the other alternatives, then in one case the saving will be £18 million and in another £16 million. I am not going, Sir, to enter into the merits or demerits of each claim but I can safely and emphatically say, Sir, that a contribution of say £1½ million is too paltry a sum for the great expenditure that India is making. Supposing, Sir, we do away with the British Army in India, the British Government will have to keep that army elsewhere at their own cost for imperial purposes. Therefore, it is essential that we should at least be allowed the difference between the keeping of the British Army and the keeping of the Indian Army of the same fighting strength. Sir, Earl Winterton, formerly a Secretary of State for India and a staunch Conservative Member of Parliament, during the debate which took place lately in the House of Commons on the Motion of Sir Samuel Hoare for a supplementary estimate of £1,701,100 including £1½ million for the imperial contribution to the military expenditure of India, observed emphatically:

"That the contribution of men and money from India was infinitely greater than from any other part of the British Empire and India in the past has been harshly treated".

This, Sir, goes to prove that even British statesmen consider that the award made to India in this respect is very meagre and small and needs reconsideration. Sir, if I am right in my information, no other British Dominion contributes more than 20 per cent. of the revenues for defence purposes. In India, Sir, our percentage of defence to our total income is unparalleled in the history of the world—

THE HONOURABLE THE PRESIDENT : Will you not inform the Council of the percentage ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : If I am not mistaken, Sir, I think it is about 59 per cent.

THE HONOURABLE SIR HOMI MEHTA : Military expenditure 59 per cent. out of the total revenues of India ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : No, I was wrong. It is 36·3 per cent. for India according to the report of the Tribunal. Well, even if it is 36·3 per cent. it is much higher than what other Dominions contribute. Of course, it can be said that India is unfortunately situated, having so many countries around it, but after all India is a great asset to the Empire because it finds bread and butter for ever so many Britishers as no other Dominion finds, and so India has a claim to a better contribution because it protects British interest much more than any other Dominion does.

Then, Sir, the Right Honourable the Prime Minister, Mr. Ramsay MacDonald, when he was a Member of Parliament, wrote a book some time back in which he said that nine-tenths of the charge of the Army in India was an imperial charge, that it was maintained for imperial purposes, and that it had served in many theatres of war for imperial reasons and in imperial defence.

Sir, it has been now for many years the accepted and established policy of the British Government, *vide* paragraph 19 on page 14 of the report of the Tribunal that the major defence of India is the responsibility assumed by the British Government and the minor defence is the responsibility of the Government of India. The responsibility of India is only concerned with minor danger arising. Sir, attack from Afghanistan or from China is a major danger and so that ought to be met by the British Government as this responsibility lies upon them.

Sir, when the naval base was established at Singapore for imperial purposes, no charges and no contributions towards that were demanded either from the Federated Malay States Government or from the Government of the Straits Settlements. And similarly, India should not be treated in this manner as far as contribution to its military expenditure is concerned. I might say, Sir, that this is a question which rightly concerns India, particularly at the present time of depression. The award which has been made in favour of India has not been given with retrospective effect. We all expected that when such a paltry sum is allowed to India it will have retrospective effect at least from 1926. But that is not the case. I will beg His Excellency the Commander-in-Chief to let us know whether the fight was made for retrospective effect or not, and if it was made why was it brushed aside ? Sir, I also request His Excellency and the Government of India to pursue this case further



[Rai Bahadur Lala Ram Saran Das.]

and to get at least a reasonable contribution from the British Government. I hope the time will come when His Excellency will be able also to give us the report upon the adjustment of the war accounts as well which is still pending for many years.

With these words, Sir, I move my Resolution for the favourable consideration of this House as I want equity and justice done to India's claim in this connection.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, I heartily support the Resolution so ably moved by the Honourable the Leader of the Opposition. Sir, I speak as a layman and not as an expert on military matters. My Honourable friend has stated how an injustice has been done so far as India's demand about the contribution from the Imperial Exchequer towards the British Army in India is concerned. It has been admitted by various British politicians and some British military experts that the expenditure which India has to incur for maintaining the British and Indian forces in India is very great as compared to the expenditure of other countries for maintaining their army. I have no quarrel with the Government of India on this account and I am sure that they fought their case well to get as much as they have, but I am sorry to find that they were not successful in getting as much as they demanded. I am thankful to His Excellency the Commander-in-Chief and also to the present Finance Minister who ably pleaded the case for India, but I am sorry to find that the Tribunal and the British Government did not pay serious attention to the claim made by the Government of India. I see from a reply given by the Army Secretary in the other House that if the case put forward by the Government of India had been accepted, India would have gained more than Rs. 2 crores. My only complaint against the Government of India is that they have not supplied us the proper material so that we can judge whether the report and the decision of the British Government are just and equitable so far as the claims of India are concerned. It is stated in the Foreword of this report that for reasons of military policy, the full notes of the two eminent jurists of India have not been published and there is a certain alteration, though alteration only in the wording, in the substance of the report. If the Government of India take the Indian public into their confidence and put before the public their case as they pleaded before the Tribunal and the British Government, much of the suspicion that exists in the public mind about the extra military expense would be removed. As submitted by my Honourable friend and as admitted by many politicians and experts of England, the ratio of military expenditure which India has to bear for maintaining her army is greater than that obtainable in other Dominions such as Canada and Australia. It has also been admitted that the Army in India does not only serve the purpose of maintaining the internal and external defence of India but it also serves imperial purposes. My Honourable friend has cited a sentence from the book of the present Prime Minister of England, the Right Honourable Mr. Ramsay MacDonald. I want to quote one more sentence to show that the military expenditure even according to him is too heavy and that half the military expenditure of India should be borne by the British Exchequer. He says :

"What is the proper charge for India to bear for this military occupation? A large part of the army in India—certainly one-half—is an imperial army which we require for other than purely Indian purposes, and its cost, therefore, should be met from imperial and not Indian funds".

He further says :

" India is treated as an independent state, which, however, we rule and whose military policy we control, while it ' borrows ' from us a certain number of troops for which it pays. The arrangement is most unsatisfactory. It may be said that if India were an independent state its military expenditure would be much higher. But then, India is not an independent state, and is entitled to claim some privileges of Empire ; its weakness ought not to subject it to a more expensive military arrangement than Canada or Australia".

He further says :

" In any event the present plan, by which India pays for the imperial army stationed there, without in any way determining policy is as bad as it can be. If the existing system of military defence is to last, the whole cost of the British army stationed in India should be borne by the Imperial Exchequer".

These sentences will be found on pages 154 and 155 of his book " The Government of India ".

If my information is correct military expenditure had risen from Rs. 29 crores in 1910-11 to Rs. 81½ crores in 1920-21. Now it has come to Rs. 44 crores odd. I thank the Commander-in-Chief for the measures of economy His Excellency has adopted in that department and for having brought down the military expenditure to such an extent. But I further request him that taking into consideration the poor condition of India and the present economic depression, to do his best to still further reduce military expenditure.

Then, Sir, I want to say a word about the capitation charges. That is a matter more for experts to deal with than a layman like myself. However, I find from the report of the Tribunal that they have not endeavoured to come to any conclusion on this point and have effected a compromise between the two contending parties. The Government of India claim was that they ought to pay the charges for the training of British recruits in England for six months only. The War Office claimed payment for 12 months' charges. This question has been the subject of investigation by about five committees and commissions, and they have all unanimously come to the conclusion that six months' training for a European soldier for service in India is quite sufficient. Not only that, but high military authorities like Lord Kitchener, Sir Beauchamp Duff, Lord Rawlinson and the present Commander-in-Chief also hold that a period of six months' training is adequate in the case of men required for India. The Government of India are also ready to pay for six months for the infantry, nine months in the case of other arms and 12 months for signals. But still the Majority report on this point ignores the statement made by these experts and the claim of the Government of India and comes to the conclusion that nine months' training is necessary, and therefore they went to charge Indian revenues for the expenses of these nine months' training. I am at a loss to understand on what grounds they came to this conclusion. It has been stated by Sir Shadi Lal and Sir Muhammad Sulaiman that the War Office did not put forward any other claim if their claim of 12 months failed. In that case, there was no other course open to the Tribunal except to accept the case of the Government of India after taking into consideration the views of these military experts and charge India only for six months' expenses. But they have instead come to a compromise, though they say in this report that they are not military experts.

Then, Sir, the claim made by the Government of India about the general expenditure of the military in India has been totally ignored. I find on page 15 of the report that the majority of the Tribunal have stated two grounds for giving the contribution. The grounds are that the Army in India is a force ready in an emergency to take the field at once which did not exist elsewhere

[Mr. Vinayak Vithal Kalikar.]

in the Empire, which is a special force for immediate use in the East and which has on occasion been so used. Secondly, that India is a training ground for active service such as does not exist elsewhere in the Empire. And still, Sir, they come to the conclusion that no general contribution is due to India from the Imperial Exchequer. I fail to understand,—having taken this view that the army is ready for any emergency, that India is a good field for active service—how they come to the conclusion that no general contribution should be made to the Indian Exchequer by the British Exchequer? Then, one point has struck me that is most important from a layman's point of view so far as the capitation charges are concerned—

THE HONOURABLE THE PRESIDENT: The Honourable Member has already exceeded his time limit.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir, I will take only two minutes to finish. And that point is about the constitutional issue. On page 39 we find that the War Office have admitted in paragraph 69 of their Memorandum that the Army Council:

“Do not and cannot constitutionally compel the Army in India to adopt any particular standard of organization or equipment. As in the case of the size of the Army in India, so in the case of its composition and character, the Army Council realize that the Government of India alone is competent to judge, from the point of view of external defence and internal order, whether any particular change should be adopted”.

Again, in paragraph 70 they repeat that:

“In any case the governing factor as regards British troops in India is, as already stated, the needs of India as determined by the Government of that country”.

So, my submission is that the Government of this country has to determine that and they have put forward a claim that they should be charged for six months, while the Tribunal and the British Government want to charge us for nine months and more. I fail to understand, Sir, the consistency between this argument and the conclusion reached by them. I submit, Sir, from all aspects the report is not only not fair, but not just to India and I further submit that His Excellency the Commander-in-Chief and the Government of India should still pursue their efforts to obtain as much for military expenditure as possible.

With these few words, Sir, I support the Resolution.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa: Muhammadan): Sir, I rise to support the Resolution moved by my leader. I also wish to thank His Excellency the Commander-in-Chief for all that he has done for decreasing the burden of military expenditure in India. But, Sir, I cannot refrain from saying a few words against the action of our Government of India for keeping this whole affair like a sealed book and not opening it to the representatives of the people, and in not giving the non-official representatives a hand in preparing the case. It may be said, Sir, that we have lost nothing by this omission, but as I shall show this omission has caused us a burden on India's Exchequer for which I think the Government is responsible. Firstly, Sir, I deplore the fact that it is generally supposed that the Tribunal was formed by the Prime Minister simply to inquire into the so-called capitation charges. The terms of reference show that it was really a Tribunal which was to settle all the differences which existed between India and the British War Office, and I need hardly lay stress on the fact that in the

terms of reference the word "India" has been used and not the Government of India. This, Sir, shows that the Prime Minister lived up to the standard which he had made out for himself in his book to which references have been made. The Tribunal has not discharged its functions properly. It ought to have invited memoranda from non-officials, so that the full case might have been laid before it. Considering our dependent position, considering the fact that we are not an independent administration, it was essential that non-officials should have been associated—if not in the preparation of the case, at least they should have been given a chance to submit their case. I will place before the House one example. Last year we made a contribution of Rs. 32 lakhs for national health insurance, unemployment insurance, and contributory pensions. I have been stressing, since 1931, that these are a form of capitation. Any charge which is made *per capita* can be literally called a capitation charge. This was not included in our case. No mention of it is made either in the report of the Tribunal or in the dissenting notes of the two eminent jurists of India that any claim on this head was made. And what is more? I have seen, Sir, the British Army estimates, Vol. 11, Sub-head J is in reference to the appropriation in aid under this item. No country in the Empire except India makes a contribution towards these sums. Sir, I again draw attention to the constitutional position; that the Acts of the British Parliament unless expressly made applicable to India have no application in India and as these Acts have never been extended to India we are not liable to make these payments. I said this as far back as three years ago, but still it had no effect, and it was not included in the case as presented by the Indian Government.

Sir, I have asked several questions since 1932 on the subject of the case that was going to be presented before the Tribunal, but I was always told that it could not be published. We had hoped, Sir, that in the publication of the report of the Tribunal we might find some extract. Paragraph 3 of the Tribunal's report mentions seven papers—memoranda that were filed before it. One was presented by the Government of India, the second was presented by the War Office and the third was presented by the Air Ministry. Then all three gave rejoinders to each other. At least those papers ought to have been published to show what was exactly the claim of each party and what was the reply of the other. Sir, we are compelled to draw the inference that perhaps the publication of those papers would redound to the discredit of the War Office and that is the only reason why it is being suppressed. The fact that we, the representatives of India, do not know even what was our case shows exactly the dependent position in which we are in. Is it not strange, Sir, that when the argument was placed before the Tribunal, that India does not stand on a footing of equality and that its dependent position should be taken into account, it was brushed aside. Sir, in this connection I wish to enter my protest against the statement contained in paragraph 16, sub-paragraph (4):

"It is common ground between the parties that the scale on which the military forces in India are maintained in respect of numbers, composition, equipment, etc., is no greater than is required for the defence of India and the maintenance of internal security".

This dictum, Sir, has been arrived at over our heads. We were no party to this; we have never averred, not even the nominated representatives in the Round Table Conference—

THE HONOURABLE THE PRESIDENT: You might as well say that the whole report is made over your head.

**THE HONOURABLE MR. HOSSAIN IMAM :** My point, Sir, was that no responsible representative of the people either here or in England has admitted, not even the Simon Commission has admitted, that the strength of the British Army of occupation in India is for the defence of India only. If any proof is required, I will give the proofs that we do not require it.

**THE HONOURABLE THE PRESIDENT :** There is no necessity of proofs. That was the decision arrived at by the members of the Tribunal who were unfettered in their discretion.

**THE HONOURABLE MR. HOSSAIN IMAM :** No, Sir. This is the case accepted by the Government of India. It thus gives a short summary of the principal relevant facts. In this connection, Sir, I should like to remind the House that I asked that a committee of experts should be formed to decide what should be the strength and equipment of the British Army in India. His Excellency the Commander-in-Chief in his reply to us said that a committee had already sat and had forwarded its recommendations to His Britannic Majesty. That report, Sir, has not been published. That report at least was prepared by the highest military authority in India and as such there could not be anything which could not bear publication. It is rather hard on us, Sir, that we are confronted with a *fait accompli* and not told even the reasons thereof.

Sir, the dictum which this Tribunal has given about the responsibility of different authorities for the defence of India is that  
 12 NOON. for defence from our immediate neighbours the responsibility should rest on the shoulders of India, and for defence from distant neighbours and from the first class powers of Europe and other countries, the responsibility ultimately rests with His Majesty's Government. With this dictum we are in entire agreement and if this was carried out to the letter we would be fully satisfied with the decision of the Tribunal.

Sir, looking at our neighbours we know their strength and I can say without any exaggeration that the Indian Army proper is sufficient to match them and worst them. The Indian Army has shown its mettle in the Great War and is rightly proud of its record. It can stand comparison with any country in the world. Knowing our immediate requirements for defence from our neighbours I aver, Sir, that the Indian Army, without the British Army of occupation, is quite sufficient to take care of India and, Sir, to a certain extent, this was also the opinion of the Government of India. Because, Sir, one of their demands was, in paragraph 23 (3), that the existing defence expenditure of India relating to the cost of British troops should be demanded from the Government of Great Britain.

Sir, I can say without any exaggeration that for the last 150 years no distant great power with the exception of England has attacked India—

**THE HONOURABLE SIR HOMI MEHTA :** What about the Dutch and the French ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, it is really impossible to conceive that a really first class power can come and attack India in any strength without first meeting and fighting the imperial forces in the way.

**THE HONOURABLE THE PRESIDENT :** What about the modern history of frontier attacks ?

**THE HONOURABLE MR. HOSSAIN IMAM :** About that, Sir, I remarked that the Indian Army is quite sufficient to tackle them without the British element.

**THE HONOURABLE MR. HOMI MEHTA :** Without any guidance from British officers ?

**THE HONOURABLE MR. HOSSAIN IMAM :** We are discussing the capitation charges which have no reference to the officer class.

Sir, I have stated that I entirely agree with the Government of India's contention that the British Government ought to pay us a contribution of either £10 million or £16 million. And if the British Government is not ready to make even this contribution, I will make a smaller claim. That claim I will base on the example of other parts of the British Empire or I should rather say other parts of the world. Sir, Egypt is a country in which Great Britain maintains an army of 10,000 British troops without charging them. If Britain can maintain an army of 10,000 in Egypt, why cannot an army of 20,000 be maintained in India at the cost of the British Exchequer ? That would cost a sum of about £6 million. Then, Sir, in order to save time I am not reading them out, but I have prepared some tables\* which I shall hand over for incorporation in my speech and shall only refer to them here.

**THE HONOURABLE THE PRESIDENT :** I cannot allow you to refer to these statements because His Excellency the Commander-in-Chief will have no opportunity of replying.

**THE HONOURABLE MR. HOSSAIN IMAM :** I am only referring to army estimates prepared by the War Office. I am not referring to anything I have done myself. Table A is the regimental distribution for the financial year 1933 which shows the strength of the army the British Government maintains in different parts of the world ; Table B shows the basis of charges which are made in different parts of the British Empire ; and Table C shows the actual amount of money which the British War Office estimates to get from different parts of the Empire. These three tables will show that no part of the British Empire makes any contribution under the head "Capitation Charges". Egypt enjoys the further privilege of having an army of occupation without payment. It is simply due to our dependent position and to the weak-kneed policy of the Government of India that we have always been compelled to pay capitation charges which find no counterpart in any part of the British Empire.

Sir, may I say a few words about the sins of omission of the Tribunal ? The Tribunal was formed to adjudicate upon the demands of the War Office and the India Office. But what has it done ? When we refer our demands for a contribution from the British Government, mere palliatives were conceded. The Tribunal cannot find a basis of what should be the payment. Then the responsibility is shifted from an impartial authority to a compromise between the master and the slave. The Government of India which has no independent existence of its own, which is represented by His Majesty's Secretary of State for India, had to fight out the case with His Majesty's Secretaries of State for War and Air. And the result was what we see. The demands put forward by the Government of India have not been accepted. In the defence which was put up by the Army Secretary in the other place no reason was given for coming to a decision on the amount which has been fixed by His Britannic Majesty on the capitation charges.

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\* Reproduced as an Appendix at the end of this debate.

**THE HONOURABLE THE PRESIDENT :** Will the Honourable Member please bring his remarks to a close ? He has already exceeded his time.

**THE HONOURABLE MR. HOSSAIN IMAM :** In two minutes, Sir. I was simply referring to the net result of the Tribunal with regard to the actual payment by India to the War Office. In the budget estimates of 1933-34 and 1934-35, we have been told that the army capitation was fixed in the former at Rs. 1,86,67 lakhs. Insurance and pension charges were put at Rs. 31,72 lakhs and the Royal Air Force capitation charge in the former year's budget estimate was Rs. 14,28 lakhs, which gives a total of Rs. 2,32,67 lakhs. This was the estimate before the report of the Tribunal. After the report, after the great boon that has been conferred upon India, what is the result ? The army capitation rate has been reduced to Rs. 1,66,67 lakhs, and insurance and pensions have gone up to Rs. 38,62 lakhs, the Royal Air Force capitation has gone up to Rs. 26,67 lakhs, and the total comes to Rs. 2,31,96 lakhs. The result is that after the report of the Capitation Tribunal we have made the magnificent saving of Rs. 71,000, and that is probably the reason why it was thought not necessary to give retrospective effect to the findings of the Tribunal. To arrive at this result we had to spend Rs. 1,25,000 as expenses of the Capitation Rate Tribunal.

Sir, I should like to say one word about the last part of the Resolution—

**THE HONOURABLE THE PRESIDENT :** I am afraid I cannot allow the Honourable Member to embark on a new point now.

**THE HONOURABLE MR. HOSSAIN IMAM :** Then I will conclude my remarks, Sir.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN** (North-West Frontier Province : Nominated Non-Official) : Sir, in the first place, I heard the Honourable Rai Bahadur Lala Ram Saran Das say that India is in no danger from Afghanistan and China—

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** I did not say that.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** You said that there is no danger of invasion from Afghanistan and China. I heard you saying so.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** What I said was—I might state for the information of my Honourable and Gallant friend—that as far as the major danger question was concerned, invasion from China or from Afghanistan will be treated as a major danger and not as a minor danger.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** I am sorry for the mistake that I made. But I cannot understand what he means by major portion of the defence and minor portion of the defence. If my Honourable friend means that without the co-operation of the British forces, any enterprise could be undertaken, he is very much mistaken, because the whole of the Indian Army is made up in such a way that in an infantry brigade there are always three Indian regiments to one regiment of British. If my friends are under the impression that anything could be done in modern warfare without the help of the artillery they are very much mistaken, and the

artillery is entirely composed of Europeans, and an enterprise—what he calls the major portion of the defence—cannot be undertaken without the British element.

Then my friend said that the Indian Army is quite sufficient for the defence of India. I do not want to say anything about the matter, but let me tell them they will not be well advised to think that the Indian forces could do much unless they had the British officer to command them and the British element to stiffen them in their undertaking in an offensive enterprise. That is my impression. I served in the Great War at least for three and a half years and I have seen it. It is no use armchair experts sitting here and giving their opinions. But facts are facts and I have seen it myself and I am giving something from my own experience.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That point was never raised.

THE HONOURABLE THE PRESIDENT : Order, order. You have had your say ; let the Honourable Member have his say now.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : The elimination of the British element is an altogether impossible task. If reconnaissance has to be undertaken, I do not know how my Honourable friends will do it without the Air Force, and the Air Force is entirely British. There may be a difference of opinion, but Honourable Members will not be well advised if they say that the army should be reduced at the present juncture. The state of affairs in Afghanistan is no secret to any Member of this Honourable House. They must be reading the papers and know that China is again in a state of chaos and they must also be aware of the activities of the Soviet Republic too. So, when they begin to advise that there should be a reduction of British troops, I do not know how far they have considered that point and whether they can be sure of the geographical situation of India which is not the same as that of Canada or Australia. I, for one, say that the geographical situation of India is quite different from that of Canada and Australia—

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That point concerns major danger and its defence.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : If something happened from Afghanistan tomorrow, there will not be much time given to my friend. If there is an invasion he will have to require the army to be prepared to be ready at twelve hours' notice.

Sir, there is a general saying that " Result justifies the action ". To ask for the publication of the full report of the Tribunal on certain questions in regard to defence expenditure in dispute between the Government of India, the War Office and the Air Ministry, together with the notes of dissent by Sir Shadi Lal and Sir Shah Muhammad Sulaiman, is no doubt a commendable thing, but what I want to ask my friend the Honourable Rai Bahadur Lala Ram Saran Das is the question whether any useful purpose can be served by the publication of this report, as suggested by him, beyond the benefit that His Majesty's Government have been pleased to bestow on India by granting her a contribution of Rs. 2 crores annually towards its military expenditure, based as it is on the recommendations contained in the report already published.



[Major Nawab Sir Mahomed Akbar Khan.]

If the Honourable Member is satisfied that the publication of the report, as suggested by him could be a means to effect an increase in the contribution of Rs. 2 crores, I would have no hesitation in supporting his Resolution, for, in that case, it will certainly prove advantageous not only in regard to the revenues of the Government of India but will also benefit the general taxpayer in the country. But in case it will not achieve that object, I am afraid that I will not be able to lend my support because, in that case, the result does not justify the action.

I can not see the cogent reasons that makes my Honourable friend ask for the publication of the full report, except that the Resolution leads to a suggestion that the full report will be different from that already published. In other words, the full report will contain more subject-matter than that embodied in the one already printed. I do not think this will be the case for, to my mind, the report already printed appears to be quite complete, embodying each and every thing relating to the terms of reference to the Tribunal. I do not think the publication of a full report will add anything to the knowledge of the Honourable the mover of the Resolution with regard to this special question. No doubt there have been slight alterations in the original wording of the report signed by the members of the Tribunal in one or two places but as it has been explained in the Foreword to the printed report, it has been done so for reasons of military policy and that too without modifying the original significance of its contents in any way. The notes of dissent by Sir Shadi Lal and Sir Muhammad Sulaiman have also not been published *in toto* owing to the same reasons and the soundness of this action stands in need of no further justification when we know that the brief summaries of these notes which have been substituted have been accepted by the two members as conveying the purport of their respective notes. As such I do not think the full report will contain any additional matter which could be used to strengthen India's case for a larger contribution than His Majesty's Government have consented to give, and unless it is expected to be so, it is useless to ask for the publication of a report as defined in this Resolution.

From the perusal of the published report, two things are quite clear to me. Firstly, that the question of defence expenditure in dispute between the Government of India, the War Office and the Air Ministry was a long-standing controversy and that the personnel of the Tribunal which was appointed to go into these very complicated questions, was composed of very eminent judges and lawyers of great standing. The case for both sides has been very well argued and that India was not only represented by the India Office but also two of its eminent judges were on this Tribunal. Another thing is that the Government of India have done their duty well in fighting out the case of India as ably as they could in her interest. The Government of India have put up a strong fight with His Majesty's Government, not only on this occasion but, as the report itself shows, they have been putting India's case in as good a light as it could possibly be placed in the past also. For instance, the extract from the Memorandum of General Sir Beauchamp Duff on page 42 of the published report is a glaring proof of the fact that the Government of India were fighting on this point in the days when Indian opinion was not even formed on this subject. As such the Government of India deserve the best thanks of this Honourable House for their long and constant fight with His Majesty's Government on this question, although it is a thing to be regretted that their efforts in this respect have fallen short of their anticipated success. As a matter of fact, India is one of the poorest countries, while England is one of the

richest. Year after year we have been crying for reduction of military expenditure in proportion to its revenues. This was the case to make substantial reduction in her military expenditure but to our great regret it has not proved so. No doubt in our straitened circumstances the award of even Rs. 2 crores is a gain and will be of timely help to the country whose financial position is what it has been for some time must be thankful for anything it can get from the British Government, but what we expected from the Tribunal was not only a sum of Rs. 2 crores but what is justly our due. Since it is not so, rather is it much below the calculation of the Government of India, I think the Government will be absolutely within its rights if it cares to do something in the matter and ask for a favourable reconsideration of the case by His Majesty's Government—

THE HONOURABLE THE PRESIDENT : Please conclude your speech now.

THE HONOURABLE NAWAB SIR MAHOMED AKBAR KHAN : Very well, Sir. With these words I would advise my Honourable friend Rai Bahadur Lala Ram Saran Das that he should withdraw his Resolution if he is given a satisfactory reply by His Excellency the Commander-in-Chief.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Sir, the business of an Opposition is to oppose and in doing so to make use of every possible device to put their case as well as they can. Every Government in the world expects those statements to contain a large amount of *ex parte* pleading. In this House we have several Members who are past masters at this art and who are ready at any moment to keep the Government in its place and to ginger it up on almost any subject you like, usually at inordinate length. We cannot complain of that. But today I do think that some of the Opposition have slightly exceeded the usual *ex parte* license. If I were in another place where I understand they call a spade a spade, I might almost be tempted to make use of the expression of Mr. Winston Churchill when alluding to an inaccuracy when he made use of the expression "frigid and calculated". But nothing would induce me so to disturb the atmosphere of this Upper House by making a statement of that sort, and all I will say is that the Opposition have to some extent in presenting their case today economized in the truth.

As I understand the Motion, the mover and his friends make two complaints against the Government. First, that the Government has not taken them into their confidence and they are thereby debarred from the proper consideration of and comment on what is to India and to them a very important matter indeed, the proceedings and the verdict of the Capitation Tribunal. And secondly, they make an attempt to reduce the financial budget of India at the expense of His Majesty's Government in the United Kingdom, and in doing so they abuse quite impartially everybody connected with it. They abuse His Majesty's Government for parsimony, they abuse the Government of India for not fighting properly for their cause, and they accuse their own Tribunal, to which the Government of India agreed, of coming to an incorrect verdict. Nevertheless, any one who is not fully acquainted with the facts must have very great sympathy with the Motion and the ideas which lie behind it. But I hope that when I have said what I have got to say, the mover and his friends and this House will realize that it is not a Motion which the Government could accept or that I as Defence Member of Council could advise them to accept.

[His Excellency the Commander-in-Chief.]

The first part of the Resolution asks for two things. It asks for the publication in full of the report, and secondly, the publication in full of the notes of dissent of the two distinguished Indian members of that Tribunal. It is easy for me to answer the first claim. As a matter of fact the report has been published in full. There were only one or two slight verbal amendments made in it in cases where the wording of the original report would have been undesirable from a national and an international point of view. There were not more than half a dozen words altogether as can be seen from a perusal of the second paragraph of the Foreword. As regards the second claim, the reason why the notes of dissent of Sir Shadi Lal and Sir Shah Muhammad Sulaiman were not published, is given in the third paragraph of the Foreword and I can do no better than quote it :

“ It has also not been found possible to publish *in extenso* the notes by Sir Shadi Lal and Sir Shah Muhammad Sulaiman on the question of an imperial military contribution, in view of the discussion therein of certain matters in the sphere of military policy and foreign relations. The brief summaries of these notes which have been substituted are accepted by the two members concerned as conveying the purport of their respective notes ”.

What really concerns India, Sir, and the Honourable mover and his friends in particular is, that neither of those notes contains any single statement which was not fully placed before the Tribunal by counsel for the India Office. Those notes in fact contain a very full statement of the case of India which was most ably put to the Tribunal by our counsel, and I would like here to acknowledge my indebtedness and that of the Government of India to our counsel and especially to Sir Jamsotjee Kanga. But it is inevitable when a subject like this has been put before a Tribunal—the use of a great army in this country or in any other country—that counsel should discuss and put forward very full notes on and the Tribunal should engage in very full discussions on our present relations with and our possible relations with foreign powers, and I feel sure that the House will agree with me that it is most undesirable from a public point of view and a national point of view that full publicity should be given to matters like that. A further important fact with regard to those notes of dissent was that His Majesty's Government gave an undertaking that all the matter which was contained in them would be taken into consideration by them when they came to consider their verdict and this in fact was done by the Cabinet.

The remaining parts of the Resolution—parts (b) and (c)—express dissatisfaction at the amount of the contribution and ask for a reconsideration by His Majesty's Government. Now, Sir, I do not suppose there is any one in existence at this moment who has had more experience than I have of this very complicated and difficult subject. I was for five or six years in the Army Council after the war and I do not mind saying that I spent quite an appreciable portion of my time in writing what I considered at the moment very decisive notes on the parsimony of India at objecting to pay our demands for capitulation ; but now the wheel has gone a full turn and, as often happens in our great Empire, I find myself in the position of counsel for the opposite side, and I spend a considerable portion of my time here in expressing precisely the opposite view. But I do think that possibly my having that intimate knowledge of both sides did help when we came to brief our counsel when we were about to present our case.

I can assure the House that the case of India was most ably put and I for one am well content to leave it at that. I do not for a moment say that India has got more than she deserves ; far from it. We asked for more (Hear ;

hear), but I do say that it was largely due to the way in which our case was put by counsel which got us what we did get. Quite a number of critics have asked since then why we do not fight for the full amount of what we claimed. We did ask, in our brief we asked our counsel to ask, for what we considered was the value of certain services on which we ourselves found great difficulty in placing a cash value, such as the value of India for training, and so on. The majority of the Tribunal did not agree with our estimate of that cash value. Again, the cash value to be assigned to several claims which were put forward by our counsel to the Tribunal on behalf of India, and which the Tribunal themselves considered were fair claims, with regard even to that, the Tribunal shirked the issue of placing a cash value on them, as we know, and it was left by them for His Majesty's Government to decide. The Government of India are naturally not aware of the cash value His Majesty's Government put upon those claims, nor are they aware of what the views of the Chancellor of the Exchequer were about them. That is a matter which I think you could expect no Cabinet in the world to disclose. All we know is what the result is.

It does seem to me, Sir, that there is not the slightest use two great Governments agreeing to set up an authoritative Tribunal of this sort and then refuse to respect the decision and the verdict of the majority of the members and try to raise the whole matter again. As a matter of fact, the verdict of the Tribunal represented a very considerable victory for India's cause and, in fact, in spite of what my Honourable friend Mr. Hossain Imam says, it has produced a very appreciable relief to the taxpayer of India. I have always kept myself as far away from the law as possible and my study of it is not deep but my study of cases which I read in the papers has tended to show me that the party which wins does not usually appeal. In this case it would appear to me more in consonance with the usual legal practice if the defeated party, the British Government, were to appeal.

The point has been again raised that on many occasions the Indian Army has in fact been used overseas for imperial purposes. I think the figure mentioned was fourteen times, but I would say that those fourteen times have occurred in the last 70 or 80 years. During the last 50 years they have only been used seven times, that is once every seven years, and in no single case did more than the equivalent of a division, that is 12 units, leave India's shores, except of course in the Great War when you were fighting as much for yourselves as you were for the Empire; and in no single case the cost of the annual maintenance of those troops which did leave this country on imperial missions, in no case did their annual cost come to anything like £1,500,000. On that ground alone it would seem that India is being fairly well paid for possible future contingencies of this sort. No one knows better than I do how hardly the cost of defence does bear on Indian revenues, and I think that the compliments which have been paid to me here today would suffice to show that I have done my best to reduce it.

I can not remember who it was that made the point—perhaps it was the Honourable mover, Rai Bahadur Lala Ram Saran Das, who said that no one can say it is necessary or in the interests of India to keep some 60,000 British troops here which do cost much more than Indian troops. He said, "No one can possibly say that". I deny that, and I say, that it is necessary. And I also say that, if I were to remove British troops or the Government of India were to remove British troops from India in large numbers, it is not the Army Department who would begin to cry out; first, it would be responsible Indians and it would be Governors of Provinces and their Councils. Just as it is now, if I try to remove so much as one internal security unit from a province.

[His Excellency the Commander-in-Chief.]

Other Honourable Members were inclined to say that there are far more troops in India than are necessary for the defence of her frontiers, for internal security, for the defence of her coasts and ports and many thousands of miles of vital communications. I wish those who say so could have been in my shoes for the last four years. During those four years, I had had constant demands made upon me by the Government for large numbers of troops. To quell the Afridi menace when they invaded the Peshawar province, for the "Red Shirt" menace which was closely connected with it, for the Burma rebellion which was a very serious matter indeed, for riots in Cawnpore, Bombay and elsewhere, for trouble in two Indian States, for the Mohmand affair of last year, and now two whole war brigades to help the civil power against the terrorist menace in Bengal. War brigades, I would remind you, Sir. Now, is there any one in this House who will tell me that it is impossible for all, or at any rate many, of these emergencies to have arisen at one and the same time? I say it is perfectly possible that many of them should have arisen at one time. Obviously, such a contingency is perfectly possible and even as it was I was hard put to it on several occasions to decide from where to select troops to send to the various troubles as they arose.

Now, Sir, a matter has been mentioned here today, but it has been rather better put in another place on the same debate that we are having today, by Dewan Bahadur Ramaswami Mudaliar. He asked these questions. Does it mean that any further commitments are involved because we have received £1,500,000 from His Majesty's Government? Does it mean that the Indian Army is to be put to a certain standard of efficiency? Does it mean that the programme of mechanization should be so adjusted that if the army is taken to Europe for imperial purposes it must have that efficiency which is required for those purposes? Does it mean that we are thereby guaranteed that these troops will be equipped merely to the extent that is necessary for Indian defence purposes, whether that defence arises in India or in England, or could it be used for a European war apart from defence? I can answer all these categorically—"No". The Indian Army and the Army in India is maintained at a standard of efficiency necessary for the defence of the Indian frontiers and for internal security and not to the standard of European war. I will give a few instances. The British Expeditionary Force division has between 70 and 90 guns behind it. Your division has 48. British Expeditionary Force units have more machine guns than your units out here. British units have sections containing anti-tank weapons, which I do not consider necessary here. They have just started in British units a new trench mortar, a close support weapon. We are not going to follow them. I said they were of no particular assistance to me in our particular problem. In the Expeditionary Force they have tank battalions and even tank brigades. I have not. I have got a few companies of light tanks which we do consider may be of the utmost use to us in our own particular problem but I have no intention of agreeing to equip the army out here with tanks to the extent the Expeditionary Force has. The same over transport. When we first began mechanizing our transport here, we thought that we should have to have what is known as standing transport for all our divisions, because we had not got in this country commercial vehicles. In England they hold practically no transport ready for war. They rely on the civil transport and commandeered it in case of war. I therefore mechanized the transport of two divisions here, and had proposed to mechanize two others, but mechanized transport has so increased in numbers and efficiency in India that I have wiped that out and depend on the country for it. I merely quote these few instances in order to show that we are not run by the War Office as has so often been told me in this House and elsewhere.

My business, Sir, is to provide for the security principally of the frontiers of India. You say that is an imperial commitment. So it is. But it is far more an Indian one. And in spite of what some would say now, India is still the most tempting bait in the world for invasion. But, Sir, a very large majority of the troops in India, between 30,000 and 40,000 are not kept for these war purposes. They are kept for internal security, for your ports, your coasts, your lines of communication, and matters of that sort. I would ask you, Sir, Is there any other country in the world in the same position as this country in regard to that? No. Is there any other Commander-in-Chief or body of men entrusted with the military defence of a country in the same position as I am? No. Most decidedly not. In France, in Germany, in Russia, in Italy, wherever you like, when their armies go to war, they have only to think of the enemy without. I have to look as much behind me, if my troops are on the frontier, as I do in front. That's the pity of it. And I would venture in all earnestness, Sir, to suggest that if Indian politicians would pay less attention to how much Sikhs, Moslems, Hindus, caste and untouchables and all the rest of them are going to get out of this and out of that, and more attention to making India into a nation, it would not only be better for their political future but it would almost immediately reduce the cost of Indian defence. As it is now, I have only to suggest to a Governor in Council that I propose to remove one battalion of internal security troops or reduce them permanently, for an immediate protest to be made to the Government of India on behalf of that Provincial Government. How then can I reduce the cost of defence? You admit the safety of your frontiers is necessary. When a large proportion of that defence has to be kept, if I may say so, to keep Indians from each other's throats and to deal with all sorts of subversive movements, red shirts, terrorist campaigns, left wing congressites, and so on. I, as Commander-in-Chief, cannot stop this sort of thing. It is not within my power to do so. But I do venture to suggest that it is within the power of men like you of influence and that you could stop it. May I suggest, Sir, that when you ask me to reduce the cost of defence more even than I have done now that you take into consideration one or two figures? England now spends about £106 million on her defence, that is Rs. 141½ crores. India spends Rs. 45 crores, or £33½ million, that is, less than one-third of England's contribution. The combined defence expenditure of the Empire is about £150 million—England £106 million, India £33 million and the Dominions £10½ million. That means roughly, England 11 annas and India 3 annas.

There is another point. I am constantly told that the expenditure on the Army in India is entirely unproductive. I deny that. More than three-parts of the money I spend here comes straight back to India. When the total expenditure was Rs. 46,20,00,000, I spent in India 75 per cent. of that, or Rs. 34,65,00,000, and in the United Kingdom 25 per cent. only, and the latter is getting less every day. I spend 96 per cent. in India of the money I spend for Ordnance stores and only four per cent. in England. In fact, I send home to England money only for what we call non-effective services, e.g., pensions, and things like that, and motor vehicles. You do not manufacture motor vehicles of any description here; so I have to buy them there. Now, Sir, may I ask whether this is the time for this House or India to ask His Majesty's Government to pay any more towards the defence of India? Is this the time when England is only just struggling, just pushing her head above water again to slightly better times, after bearing by far the larger proportion of the expenses of the Great War—by far the largest proportion of any of the Allies—and when she is still bearing an enormous proportion of the cost of the defence of the Empire including India? Is this the time, when

[His Excellency the Commander-in-Chief.]

all the world is now in the melting pot, when the commercial and financial outlook is still dark, when all the rest of the world, except ourselves, who have reduced our defences enormously, are grinning at each other over a hedge of bayonets, when at any moment the Government of His Majesty in the United Kingdom may be forced into greater expenditure on armaments? Is this the time, when they are shrugging their shoulders and with good grace have accepted the verdict of the Tribunal to ask them for more? I cannot think so.

Now, Sir, before I sit down, I want finally to dispose of one more accusation that has been made today and that is, that the Army Department works in secret. I have seen a caricature in one of the Indian papers some time ago in which was depicted a dark cave out of which I was looking, and the dark and gloomy cave was a caricature of the Army Department. Now, there is no greater libel or greater untruth in politics in India than that. If there is any ignorance on the part of Members of this House, if there is any ignorance in India on the part of the Press with regard to the army, it is not our fault. Time after time I have stated, and time after time my Army Secretary has stated, that we place ourselves at your disposal. I myself am firmly convinced that the principle is right that those who pay should know how their money has been spent and I am always willing to meet anybody—and so are my officers—and explain to them exactly how that money is spent. I think that is proved by the fact that when the Honourable the Finance Member started the retrenchment committees, I at once agreed to them. People said to me,

“Your budget is a reserved subject; it is between you and the Viceroy and nobody else; and unless you choose, you need not appear before the retrenchment committees at all”.

I said on the contrary that I declined to take that view at all and I did, as you know, place at the disposal of the retrenchment committees all the knowledge of my officers and all the facts and figures we had and threw open to them the whole of our factories and establishments. (Applause.) There is only one thing I tell no one, not even the Viceroy, and that is, war plans. But beyond that, or beyond some new invention which may be brought to our notice, which may give us great advantages in war, there is no secret in my conduct of the army. It is open to any of you to come at any time to me and ask me or my officers questions.

Now, Sir, I have finished, but before I sit down, I have to make an announcement on behalf of Government. When this Motion was first on the order paper—it was postponed owing to the absence of the mover—I thought over it and I came to the conclusion that it was wrong that responsible people like the Members of both Houses should in fact be debarred from seeing the notes of dissent of their own two members, and I therefore approached the Indian Government, and we approached the Secretary of State and have got from His Majesty's Government the following decision which we hope will satisfy the House:

“If, however, the Honourable Member and other Members of this House and of another place are sufficiently interested, I am authorized by the Government to show leaders of parties, or certain persons nominated by them, the full notes of dissent by the two Indian members of the Tribunal. In making this offer, it will of course be understood that Government must impose certain conditions. The object of the offer is to remove suspicion and demonstrate that there are sound reasons of State for not publishing *in extenso* the notes of the two Indian members. The papers will therefore be shown in strict confidence, and on the clear understanding that those who read them, whatever use they may make

of the information disclosed, will not quote the writers of the notes as their authority for such information, still less make copies or take verbatim extracts from the notes for use either in the Press or in public speeches, and, of course, that no reference is made to any foreign power by name as having been alluded to in those notes".

Sir, I have to oppose the Motion, and as I said at the beginning of my speech, it is quite impossible to go further than Government have gone, and in what I have just read out.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, we are thankful to His Excellency the Commander-in-Chief for having placed the case of India before the Tribunal in the way he has done with the result of the award. After the lucid and exhaustive explanation that he has just given, I think there remains no question of supporting this Resolution. I do not wish to detain the House with the old history of the capitation charges. They came into prominence ever since 1859 when the British Army and the Indian Army were amalgamated. The question was taken up time after time by public bodies with the result that Dadabhoj Naorojee, the great patriot, strongly protested and agitated on the inequity of saddling India with the enormous load of these charges in and out of Parliament. He was supported by Professor Fawcett, by the Government of India, and some high military authorities, as well as parliamentarians. The War Office, however, remained adamant and thus there was no redress. It went on piling additional burdens. It was when the Welby Commission was appointed in 1895 that the matter came to a head. Dadabhoj Naorojee and Sir William Wedderburn state in their minority report that Lord Northbrook, a member of the Commission, had arrived at the conclusion after inquiry that the capitation charge should be at the rate of £7-10-0 per head. The Government of India reduced it down to £5 ; and the minority was of opinion that it should be £3-15-0 in fairness to India, and in equal proportions between India and England. Well, Sir, thereafter the matter was further agitated.

1 P.M. Lord Balfour (then Mr. Arthur Balfour) suggested that there were several questions for apportionment of charges between India and England and the best procedure would be to appoint a Board of Arbitration that would hear both sides and give its decision. Lord Salisbury, Lord Northbrook and Lord Lansdowne agreed. Lord Salisbury, however, went further and said that if an impartial Tribunal of the kind was to be appointed, it should command the confidence of both the British and Indian taxpayers, and that the best way would be to appoint members from the Judicial Committee of the Privy Council. It would thus be a judicial court before which the cases of both parties would be represented and that its report would be decided by both the Houses of Parliament without discussion on party lines. He further added that in case of any opposition, the onus of proof would lie upon the opponents. Lord Salisbury also said that in order to give a representative character to such a Commission or Tribunal, one Indian judge should be associated with it in order to ensure an equitable representation. The Welby Commission then resolved that the Tribunal should be appointed after the publication of their report. Nothing however was done thereafter. That, Sir, was practically the genesis of the recent Tribunal. The foregoing facts illustrate the breadth of vision and the foresight of a great statesman. What he suggested then has matured in 1932, that is, after the lapse of 36 years. The seed sown in 1896, germinated in 1932 ! The fairness of the constitution of the Tribunal is beyond dispute. There were two members of the Privy Council, two Indian judges and the Chairman, a King's Counsel. Thus constituted it had to decide upon the merits of the claims put forward by the War Office, the Air Ministry and the



[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

Government of India. All the parties were represented by counsel: the Government of India by Sir Jamsetjee B. Kanga, the Advocate General of Bombay. At a very early stage of the discussion the counsel of all parties agreed that it was no use going into the past history of the case, and that they should lay down principles for future guidance. It was upon this decision that the award finally came to be made. It has been said that the award is a mere fleabite, and that considering the enormous load on India some retrospective effect should have been given. That, however, came to be excluded. It has even been suggested that a fair and equitable arrangement would be for the British Government to contribute ten per cent. to the Indian military budget, whatever that may be. But I would remind the House that it took between 50 and 60 years to settle this question, which had vexed our politicians and the Government of India for years and years together. Would the House desire that we should wait for another long period before another Tribunal is appointed for the purpose? I do not believe there is any probability of that, nor of any reduction in our defence services. I would therefore say that we should be content with the award and await developments in the future. As regards the full notes of Sir Shadi Lal and Sir Muhammad Sulaiman which have been asked for, I think the explanation of His Excellency the Commander-in-Chief is quite full, frank and weighty. He has been extremely generous, as also Government in affording facilities for access to them as required by the Honourable mover. We cannot be too grateful for this concession that shows that Government has nothing to conceal. I cannot therefore support the Resolution.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: I will not keep the House longer, but I want to reply to the criticism of my Honourable and Gallant friend the Nawab Sahib of Hcti, who seems to have not grasped the fundamental points of my speech—

THE HONOURABLE THE PRESIDENT: All that is beside the point after the speech made by His Excellency.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir. I simply wanted to draw my friend's attention to page 14, paragraph 19, of the report of the Tribunal.

Sir, we are deeply grateful to His Excellency the Commander-in-Chief who has been fighting our cause and who has partially succeeded in his fight. The amount of contribution which the India Office has demanded under paragraph 23, page 15, was the demand of His Excellency the Commander-in-Chief, and that demand, if I mistake not, was also the demand which the Government of India made on behalf of India.

As regards the publication of the notes of dissent, I am very grateful to His Excellency for his statement that he made in that connection. We are fully satisfied with that statement, that there were cogent reasons against their publication. We are also grateful to him for the efforts which he has made to keep army expenditure down notwithstanding the demand from the War Office, and for curtailing expenditure on matters which His Excellency thought were not needed for India.

Sir, in the face of what His Excellency has said I do not want to press the Resolution, but I wish to say that efforts towards getting a bigger contribution from the British Exchequer ought not to be given up. In case it is not opportune now, it may be taken up later. But if we cannot get anything

more during the time of His Excellency the present Commander-in-Chief, there is no hope of getting it afterwards. Therefore, I hope that the Government of India will go on pursuing this question and contrive that a reasonable sum for defence expenditure is received by us.

With these words, I beg leave of the House to withdraw the Resolution.

The Resolution\* was, by leave of the Council, withdrawn.

The Council then adjourned for Lunch till a Quarter Past Two of the Clock.

The Council re-assembled after Lunch at a Quarter Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, in view of the talk which I have had with the Honourable Member in charge and the unsatisfactory character of the terms of the loan issued by my own Government, I do not wish to move my Resolution.†

#### RESOLUTION *RE* COMPOSITION OF INDIAN DELEGATIONS TO IMPERIAL AND INTERNATIONAL CONFERENCES.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I beg to move the following Resolution :

"This Council recommends to the Governor General in Council that Indian delegations to imperial and international conferences should in future be composed of and led by Indians alone."

Sir, this question of Indian representation on imperial and international conferences is not new to the Council, but has been discussed on the floor of this House about half a dozen times previously in some form or other, every time at the Motion of the Honourable Sir Phiroze Sethna. In 1922, Sir Phiroze (Mr. Sethna then, moved his first Resolution regarding the representation of India on the International Conference at Genoa. Then, in 1924, the Honourable Member moved a Resolution urging the appointment of an Indian to lead the delegation to the Assembly of the League of Nations in that year. A sympathetic assurance was given by the Government on that occasion, whereupon the Resolution was withdrawn. Again, in 1926, he moved almost an identical Resolution in the House which was not opposed by Government and was adopted by the Council. Similarly, a Resolution was passed on his Motion in 1927. In the year 1928 the same Honourable Member brought forward a Resolution whose scope was not confined to the League of Nations but extended also to all imperial or international conferences to which the Government of India were asked to send delegations and recommended that the Indian delegation to these bodies should be predominantly Indian in its composition and should be led by an Indian. Then, in 1929, the Honourable Sir Phiroze Sethna again pressed on the attention of the Government the desirability of making a strong representation to the Secretary of

\**Vide* page 499, *ante*.

†"This Council recommends to the Governor General in Council to give free of interest and for three years a loan of Rs. 2 crores to the Government of Bihar and Orissa for the purpose of helping the agriculturists of Bihar."

[Rai Bahadur Lala Jagdish Prasad.]

State that in order to give practical effect to the admitted principle that there was no bar to an Indian leading the Indian delegation to the League of Nations that year's delegation be led by an Indian. The Government gave a sympathetic assurance and the Resolution was withdrawn. Again, in 1930, the Honourable Member brought the matter before the House in the shape of asking the Government to give effect to the recommendations made in the report of Sir Muhammad Habibullah and other members of the Indian delegation to the previous year's session of the League of Nations, and on an explanatory statement being made on behalf of the Government, the Resolution was withdrawn. This, Sir, is in short a history of the question so far as this House is concerned.

I recognise, Sir, that the effect of such a Resolution having become, in the words of the Honourable Sir Phiroze Sethna himself, almost a hardy annual in this House for several years was not altogether lost on the Government and it may be said in fairness to them that they did not disregard the Indian demand altogether inasmuch as delegations to the League of Nations have since been improving in personnel in so far that a larger number of Indian members are now being appointed as a result thereof, and, in 1929, the Government further agreed to appoint an Indian as leader of the League delegation. I think Sir Muhammad Habibullah was the first Indian to lead the Government of India's delegation to the next session of the League Assembly at Geneva. Ever since the precedent then set up has been maintained and every year, so far as my memory serves me right, an Indian leads the Indian delegation to the League Assembly. And we have not heard so far that because of that the Government of India's point of view has been less ably represented. Yet, what do we find in the case of other international conferences? For some reason which Indian public opinion has not been able to appreciate the Government chose in relation to the World Economic Conference last year to appoint a minority of Indians on the Indian delegation and a non-Indian to lead the same. Of the five members who constituted the delegation, in addition to the British leader, three were Europeans and only two were Indians. Then, the four advisers and the secretary of the delegation were also Europeans. And what happened as a result thereof? Of the gentlemen who had been invited from India for the purposes of consultation on the various matters to be discussed at the Conference and to assist the delegation, even such a gentleman of the responsible school of thought, as Sir Purshotamdas Thakurdas, and one of his colleagues, viz., Mr. Rangaswami Iyengar, felt compelled to decline the invitation on the ground, which the former is reported to have made clear in his letter to the Secretary of State, that Indian public opinion including the Central Legislature and the Indian commercial community in particular had over the last decade made it a serious grievance that even in matters of international conferences delegations from India were preponderantly British in personnel and not Indian as they should be, that Indians felt that this tended to humiliate India in the eyes of the international world, and that he was afraid that the delegation to the World Economic Conference was based on a definite retrograde tendency. And, Sir, this decision of the two gentlemen was approved by progressive Indian opinion on the ground that a delegation which contained four Europeans members, four European advisers, one European secretary and only two Indian members could not by any process of logical reasoning or arithmetical calculation be called representative from the point of view of India, although Reuter's London Office reported that the official view concerning the delegation was that it was as representative as possible. Sir, the question

that on such occasions comes uppermost in the minds of Indians is : What opinion will the rest of the world form about Indian capacity when they find that while Governments much smaller than India have sent delegations led by and composed of their own nationals to the Economic Conference and while even Persia and so many other backward nations manage to secure the services of their own nationals who can quite competently represent them at the World Conference, India alone should be represented mainly by non-Indians ? Sir, I am not saying this in any racial spirit but because of the fact that it appears on good authority that the appointment of Europeans as India's delegates creates a misunderstanding among other nations regarding Indian capacity. For, Sir Purshotamdas Thakurdas, who has had occasion to represent India at more than one international conference relating his experience in the Assembly said some years ago :

"The one question which I had to answer at least half a dozen times to nationals from Germany, from France, America, Sweden and Norway, was, 'How is it that we do not see Indians oftener at these international conferences but only Englishmen or Britishers ?'..... 'Can Indians really speak in English as you do, and if they can, why is it that your Government send Europeans'".

This is one reason, Sir, why Indian public opinion wants that Indian delegations to such conferences should be composed of and be led by Indians. The other reason is that the Indian point of view cannot properly be represented by non-Indians.

Now, Sir, the World Economic Conference of last year is not the only instance in which the Indian delegation was predominantly European in composition and also led by a European, but there was the Disarmament Conference and the special session of the League held recently to discuss the Manchurian question at which Sir Samuel Hoare undertook to represent India.

The result of Britishers representing India at such imperial or international conferences is, as I have already said, that, on the one hand, the Indian point of view is not properly represented at these gatherings and, on the other hand, other nations entertain doubts about the capacity of Indians. If, however, Indian delegations to these bodies be at least predominantly composed of Indians and led by Indians then both these difficulties will disappear. India's prestige will be enhanced in the eyes of the outside world and the delegation will truly represent the Indian point of view and will inspire confidence among the people.

After all, Sir, what are those requirements of Indian interests that Indians—sons of the soil—cannot adequately represent or safeguard and which Britishers alone are competent enough to do ? As I said before, we have not heard that by reason of Indians leading the Indian delegation to the League Assembly during the last few years the Government of India's point of view has been inadequately or less ably represented. Why all such delegations therefore should not be predominantly composed of Indians and also led by Indians passes one's comprehension ?

Sir, one word more before I resume my seat. If any of my Honourable friends here thinks that in laying this proposition before the House I have been moved by any racial considerations, I shall at once say to him that the idea is farthest from my mind. I have not brought forward this Resolution out of any racial feeling ; on the other hand, I want to remove racial discrimination if there were any such intention on the part of Government in choosing Europeans in preference to Indians for these delegations. Apart from this, Sir, it is a well known fact that the British are the rulers and are in a dominant position, while the Indians are the ruled, and if Indians request the British

[Rai Bahadur Lala Jagdish Prasad.]

Government for the recognition of India's rights and privileges and for their further concession, the request is only in the nature of being by a subject race to a ruling race and I submit that no racial discrimination should ever be considered to be involved in this matter ; otherwise in what other manner could Indians ask for their political and natural rights from the Government ? After all, the demand for Indianization of the services stands on the same footing. I hope that even the Government will agree with me in this view.

Lastly, Sir, I may be permitted to say that by the terms of my Resolution as it stands I do not mean to suggest that Indian delegations to imperial and international conferences should altogether exclude Europeans. Speaking personally, I may say that I have great respect for the British. And I do not object if a part of the personnel of these delegations may contain some British officers who may at the time be serving in India or may have previously served in India. But I do want to suggest that such delegations should be predominantly composed of Indians and led by Indians, as was the intention of my Honourable friend Sir Phiroze Sethna's Resolution moved in this House six years ago. In fact, I wanted to move this Resolution today in a somewhat modified form so as to connote my real meaning but since I have not been permitted to do so I had no alternative in moving the Resolution but to stick to the wording of the Resolution as it stood on the order paper. I am therefore making my intention clear on this point. I shall be quite content if such delegations are predominantly Indian in composition and are led by Indians. I hope, Sir, that this is not an unreasonable proposition and I therefore commend it for the acceptance of the House.

Sir, I move.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce) : Sir, I am afraid I am compelled to oppose this Resolution, and in the very few remarks I have to make I desire to confine myself to the general aspect of the position that my Honourable friend Rai Bahadur Lala Jagdish Prasad seeks to create by placing this proposal before the House. I can only regard it as most unfortunate that a Resolution savouring so strongly of discrimination should be brought before us at this stage. With the approach of provincial autonomy, and subsequently, of federation, I hold most strongly that we should display to the utmost of our capacity that feeling of fellowship and goodwill which undoubtedly exists and which has been of such enormous value in the past. The important questions which come before those imperial and international conferences to which India has the honour to send delegates are certainly not generally questions in which Indians alone can claim to be interested. The interests of the British in India are just as widespread, and in matters of imperial and international consequence their views are, I submit, of some importance. On those questions which require special attention from the Indian point of view, it is surely not too much to claim that the voice of the British in India is entitled to be heard. They are vitally interested in these questions—and in saying this I am not referring to the huge financial stake which the British hold in this country. I am referring to their general interest in those matters which affect the welfare of India, although I am sure all of us will agree that the financial consideration cannot be overlooked. Moreover, I think I can safely say with all due modesty that many occasions arise during these conferences when a British representative of India is able to proffer valuable suggestions and help. Surely, Sir, it has never been more necessary than at the present time to show the rest of the world that we are capable of working in harmony and concord to achieve our common ends, and I particularly desire to emphasise this point. All that we ask is, "A fair

field and no favour", and I feel confident I can rely on the sound and impartial judgment of this House to see that this is not denied us in the present instance, and that the Resolution now before us does not meet with general approval.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan): Sir, I have listened with patience to the speech of my Honourable friend the mover of the Resolution who wants that the Indian delegation to imperial and international conferences should be composed of and led by Indians alone. I congratulate him on bringing forward this Resolution on the eve of great constitutional reforms. But, Sir, I cannot agree with the Resolution as a whole. I support the first part of the Resolution that the Indian delegation should, in future, be composed of Indians alone and reject the second part that it should be led by Indians.

I have got reasons and arguments in support of the first part. At this stage of my public life, I am not one of those, Sir, who judge things and institutions only by their visible output. But, Sir, I belong to those who would penetrate far beyond the outer crust of things and take stock of the ideas and ideals, however feebly represented in the palpable coarse world of realized facts that inspire the institution of "Thoughts hardly to be packed into a narrow act" of "Fancies that broke through and escaped". The coarse world would say, "Nothing succeeds like success", but I would be one of those, Sir, who would have the courage and conviction to say, "Nothing succeeds like failure". Judged by this criterion, Sir, of the ideal, there can be no gainsaying the fact that the imperial and international conferences, despite the detractors or unbelievers calling them "leagues" or "councils of robbers", "cabals of the big to rob the small," contain the germs of international amity, of universal fraternity, that would defy and transcend at no distant epoch, the barren exclusiveness of narrow nationalism and make for the realization of the Kingdom of God on earth.

Sir, it must be admitted that India has a part, a very important part to play in the realization of the universal ego between nation and nation. Light has always come from the East and I fervently believe, Sir, that light shall once more emanate from this ancient land of light—a light that would kindle the lamps of nations and consummate their highest possible enlightenment. Hence, Sir, it is absolutely essential that there should be people in these international and imperial conferences to represent India, her cultural and political aspirations. Sir, when I say this, I am not to be misunderstood as a petty trafficker for national bargain. But, Sir, it is to be understood that it is both for the best interests of India and England, I might even say, for the best interests of all living nations, coloured and colourless, that India should have full representation for herself. But I am sorry, Sir, that up till now this most important view of the Indian representation has not received the attention that it well deserves from the constituted authorities of the land. India has not been up till now fully and adequately represented in these conferences by people inspired with the best traditions and cultural ideals of this nation—people independent of political pre-imposition, and I hope and believe, Sir, that this positive obstacle can be removed only by making the Indian delegation thoroughly representative of India.

Now what I was going to say, Sir, was that Indian representation or delegation up till now has been very poor. This seems very inequitable when I notice that India is not only an original member of the League of Nations but pays towards it, if I remember aright, not only more than any self-governing dominion of the British Empire, but many of the independent

[Mr. Mahmood Suhrawardy.]

nations of the west, barring, of course, only a few of the bigger powers there. I submit, therefore, Sir, that in the light of these facts, the scantiness of the Indian representation is not only illogical but inequitous.

So far I strongly support the Resolution. But as far as the second part is concerned, I must emphasise that the Indian delegation may be led by a European if he truly represents India. I think I have outgrown that blind and sentimental nationalism that would always cry out, "My country, right or wrong". To me such maxims bespeak a perverted mentality. The right man in the right place, the right thing in the right place and that should be our principle. What we want is that India with her wonderful, cultural heritage, with her treasured ideals of the past, with her nascent aspirations for the future, should be fully and efficiently represented, her interests should be safeguarded for the best interests of the world. Efficiency should be our standard. In this matter of leadership of the delegation, ours is not the question of colour, whosoever it may be, let it be, it is not ours, Sir, brown, black, yellow or white.

Sir, a mere representative of India may not be able to fathom the subtleties of foreign political problems and thus be lost in the labyrinth of international politics. Quite unconsciously, he may become a party to an alluring agreement which is no better than Dead Sea fruit, which ultimately will prove detrimental to the vital interests of India and lead to more serious consequences. The leadership, therefore, of such a delegation demands the guidance of a man who, on the one hand, thoroughly represents India and, on the other, is well versed in European and international politics. Sir, if the delegation is composed of and at the same time led by Indians alone, there will be no authority or power to exercise sufficient control over its deliberations and consequently there is a danger of the delegation degenerating into a clique of fossils or children of the soil in favour of the Government. I would rather welcome a British politician of international fame for the leadership of the delegation who really and truly represents India.

THE HONOURABLE SIR HOMI MEHTA (Bombay : Non-Muhammadan) : Sir, regarding this Resolution of my friend Lala Jagdish Prasad we have first of all to examine its constitutional aspects. First of all, "India" means British India and the Indian States. In international gatherings no distinction is ever made between a British Indian and a member of an Indian State. There is also at present no machinery for selecting British Indians and members of Indian States except the Governor General in Council, who is the liaison officer between the two parties. Therefore selection must continue to be made by the Governor General in Council. The second aspect is that international affairs involve also foreign relations, and as this is still in the hands of the Secretary of State, we have little to say in this matter. But what is it that my friend Rai Bahadur Lala Jagdish Prasad wants? He wants that the Indian delegations to imperial and international conferences should in future be composed of and led by Indians alone. Well, we know that many representative Indians have gone to several conferences. Almost all of them have without a doubt made a great impression wherever they have gone by the way in which they have placed their case before other countries. Take the case of Ottawa, where our Honourable friend Sir Shanmukham Chetty went. He created a tremendous impression according to Sir George Schuster and Sir George Rainy. They all spoke very highly of the way in which he conducted matters; and not only they but the Canadians also. They said with one voice what a magnificent man the Indian Government had sent.

Then, Sir, look at the League of Nations. Several Indians have already led, men like His Highness the Aga Khan, the Maharaja of Bikaner, the Maharaja Jam Sahib, the Honourable Sir Brojendra Mitter, Sir Atul Chatterjee and many others. They have led the delegations at the League of Nations with great credit to themselves and to India. And if Indians can play that part as they have done why should they not have the right to always represent India, to inspire confidence in foreigners that India has the men who can do justice to the country. Then, Sir, if I have heard rightly the speech of my friend Rai Bahadur Lala Jagdish Prasad he said further that by using the words "Indians alone" he did not mean that there should be no Englishmen in such conferences. He meant that those Englishmen who are serving in this country and who have an established right to speak for the country can also be taken, and if they are suitable for leading the Indian delegation then even Britishers should be taken to lead. But if there is an Indian available of such a kind that he can do credit, his right should not be disallowed on account of his being an Indian. I think that proposition is quite in order and I should think that the Government benches could not take any objection to that aspect of the Resolution.

**THE HONOURABLE THE PRESIDENT :** How do you explain the existence of the word "alone" in the Resolution?

**THE HONOURABLE SIR HOMI MEHTA :** My friend Rai Bahadur Lala Jagdish Prasad said that he wanted to change the tenor of the Resolution to a certain extent but he was not allowed to do it. I understood him to say when he spoke on the subject that he had no objection to an Englishman going either as a leader or member of the delegation. If that is so, I do not know where the objection of my friend Mr. Henderson comes in?

**THE HONOURABLE MR. J. S. HENDERSON :** Sir, I have spoken to the Resolution as it stands.

**THE HONOURABLE SIR HOMI MEHTA :** But, Sir, you must have heard that the Honourable Rai Bahadur Lala Jagdish Prasad proposed an amendment—

**THE HONOURABLE THE PRESIDENT :** I never hear anything outside this Chamber!

**THE HONOURABLE SIR HOMI MEHTA :** But sitting in the Chair, Sir, you must have heard the speech which the Honourable Rai Bahadur Lala Jagdish Prasad made in the House in which he said he had no objection to an amendment going in?

**THE HONOURABLE THE PRESIDENT :** All that I say is that the statement he made is inconsistent with the Resolution as framed.

**THE HONOURABLE SIR HOMI MEHTA :** That I do admit, Sir. I do not deny that.

**THE HONOURABLE THE PRESIDENT :** Will you please proceed?

**THE HONOURABLE SIR HOMI MEHTA :** Then, Sir, when in such conferences Indians are appointed, I think it would be much wiser to appoint non-official Indians as delegates.

With these words, I support the Resolution.



THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH (Bihar and Orissa : Non-Muhammadan) : Sir, the Resolution moved by my friend has become, in the words of the Honourable Sir Phiroze Sethna, a hardy annual in this House. The subject matter of the Resolution is not a new one. It is as old as 1922 when Mr. T. V. Seshagiri Iyer raised the question of representation of Indians, not only in the delegations from India to the League of Nations and other international conferences, but also raised the question of the want of representation of Indians in the League Secretariat. However, since then the question is being raised every now and then both in this House and the other. The present demand is a most modest one and no one can deny that the demand on our part is a most reasonable one too. Sir, India is an original signatory to the Treaty of Versailles and consequently she is an original member of the League. I am not one of those to go into research for finding out the reasons as to why England made India an original signatory. It may be that she wanted India's vote in League matters. It may be that she was made an original member of the League for getting her contribution for the purposes of reducing the quota of England's contribution to the League. We do not want to go into all those details of past history. The fact remains that she is an original member of the League. The fact remains also that declarations have been made from time to time both in the Indian Legislatures and in the British Parliament, that since the 1919 reforms, India has got dominion status in action. That being so, Sir, why should Indians be humiliated before the world by her delegations being led generally by Europeans. Sir, there may be three reasons for the Government's refusal to accede to our request for appointing Indians to be the leaders of delegations to international conferences. Firstly, it may be that Indians are not fit to hold such responsible positions. But that suggestion was repudiated by the Honourable Mr. (now Sir Harry) Haig on the 13th March, 1928. Sir, I would like to quote his words which reads as follows :

"The Honourable Sir Phiroze Sethna suggested that the fact that no Indian has heretofore been appointed leader of the delegation to the League of Nations meant that we had come to the conclusion that the ablest men were never to be found amongst Indians. That is a proposition which I entirely repudiate".

Sir, everyone had been glad to hear about the repudiation of the reason why Indians are not selected. But only assertions and repudiations do not go a great way to meet the Indian standpoint. It is always the action that is judged and not assertions of the kind made. In actual practice what do we find ? We find that Indians have been scrupulously avoided and Europeans appointed as leaders, in spite of our repeated requests and demands. The second reason that is often repeated to us is that the princes of Indian States may not like to work under an Indian as the leader of the delegation. Sir, I do not see any force in such arguments. In this connection, I agree entirely with Mr. Joshi when he expressed the Indian sentiments on this question in 1928 in the other House. This is what he stated. It reads as follows :

"There is another argument used and that argument is that Indian princes may not like to work under an Indian as the leader of the delegation. This, Sir, is also a calumny upon Indian princes that they are not willing to work under an Indian leader".

This is not all. I go a step further than that, and ask why not appoint an Indian prince as the leader and make a beginning. Indian princes are your men on whom you have the greatest reliance and in order to make a good beginning, we will have no objection to the appointment of an Indian prince

as leader, if you send other capable Indians with him as ordinary delegates and substitute delegates. It is high time that Government should remove the lurking suspicions in the minds of all Indians, that Government do not trust any Indian whether he is the Right Honourable Sastri or a Sapru or a Jayakar or even the Honourable Sir Fazl-i-Husain, so far as international politics are concerned.

Sir, in 1928, in replying to the debate on a similar Resolution moved by my friend, the Honourable Sir Phirozo Sethna, the then Home Secretary, the Honourable Mr. Haig made capital out of the fact that the leader of this House was sent as a leader of the delegation to South Africa. Sir, with due deference to such arguments I must say that that was beside the point. The South African delegation was not sent to attend any international conference. It was a delegation from one part of the Empire to another. The Resolution demands Indian leaders of delegations before the international bar to prove their mettle and worth. If the Government has got faith in the leader of this House or of the other, let them select such persons in future and that will satisfy us as they are, after all, Indians, irrespective of what their political views may be. Sir, the third objection to the appointment of an Indian as leader of the delegation to the League of Nations and other international conferences is the want of knowledge of difficult questions of foreign policy and international relations. I may quote exactly the words first uttered by the Honourable the Law Member in this House on the 24th August, 1926 and again repeated by Sir Lancelot Graham in the other House, two years after, i.e., on the 13th March, 1928 :

“ The discussions at the meeting of the Assembly invariably include in their scope difficult questions of foreign policy and international relations. For these in the case of India under the present constitutional arrangements, the Secretary of State for India is responsible, and as a Member of the British Cabinet he is of necessity fully acquainted with the trend of the policy in His Majesty's Government in regard to these matters. It has accordingly been customary to appoint persons to lead the delegation who, in addition to possessing personal knowledge of India and Indian conditions, have been in a position to appreciate the guiding principles of His Majesty's Government's foreign policy and are thereby specially qualified to carry out the responsibilities devolving on the Secretary of State in this regard ”.

Sir, after the above announcement was made, Sir William Vincent was appointed as leader of the delegation. If I say anything, I say it not with any disrespect to Sir William Vincent. He was a great and meritorious officer. But if I say anything, it is against the system which will elect a European like him, but not an Indian. Let us see how far he was connected with the foreign policy. Sir, while he was in India, he was in charge of the Home Department which do not deal with foreign relations and policy : while in England he was attached to the India Council of the Secretary of State which has got very little to do with the policy of foreign relations of His Majesty's Government. Had the membership of the India Council been a sufficient qualification for experience of foreign relationship, then, Sir, I do not see any reason why Indian members of the India Council of the Secretary of State are not selected to fill up such posts. May I ask the Government as to wherein lay the difference between men like Sir B. K. Mullick, the Right Honourable Sastri and other Indian leaders and Sir William Vincent except in colour. It is no use hoodwinking facts. I even now appeal to Government to face facts and solve it squarely.

With these few remarks, Sir, I support the Motion.

THE HONOURABLE SIR KURMA VENKATA REDDI (Madras: Nominated Non-Official): Sir, as one who had the privilege of being associated with one or two of these international conferences, may I, with all respect to the mover of the Resolution, say what I feel it my duty to say on an occasion like this? Sir, the Honourable mover has told us that he makes no racial discrimination in this matter. I fully appreciate it and accept it, if I may. I go further and say that it is patriotism, the love of his country and his countrymen, that has induced him to bring forward this Resolution. But, Sir, whenever I think of this patriotism in our country, I am reminded of an inscription on the statue in Pall Mall erected in honour of that wonderful woman, Miss Cavell, and the words thereof are these that I found there:

“Patriotism is good, patriotism is necessary, but patriotism is not enough”.

Patriotism is not enough. Something more is necessary in matters like this, especially in matters in which we have to deal with various nations of the world and, Sir, if I may put it in the following words it may perhaps give full expression to my meaning. We ought to cultivate a spirit of internationalism and an international mind, a mind that is capable of looking at things that emanate from various nations as if they have emanated in our own country, a mind that will rise above the ordinary notions of race, a mind that can deal with humanity as of one race, the human race.

Sir, with these observations, I shall give my experience of these conferences. It was my privilege, Sir, to be sent to the Assembly of the League of Nations in the year 1928 and in that year the leader of the delegation was one very well known in this country not only on his own account but on account of his great father, Lord Lytton, who was our leader; and I may be permitted to say from my place in this Council that if ever I am to serve another man as the leader of a delegation, I would choose any day a man like Lord Lytton. Sir, he never made any distinction between Indians and Europeans. There were Indians—we were four of us there; there were only two Europeans and yet in every matter that came up before the Council we used to meet, he used to ascertain the views of the Indian members and give expression to those views in the conference itself in such a way that no Indian could have put it better or on a higher footing. Then again, Sir, he allowed us to sit on committees. Though I happened to be only a delegate substitute, he put me in two committees; and whenever our views were made known to him beforehand, he would not only appreciate them from an Indian point of view, but would go perhaps a little further. I, being only an inexperienced man, always thought I might overstate the Indian case. But he would go beyond what I stated, and he would put forward the Indian case into my ears and then I would go into the Conference and to the committees and give expression to them in a much stronger way than I would have been able to do if I had been left alone by myself. The other conference which I had occasion to attend of course was the South African Conference, the second Round Table Conference, led by our esteemed friend, the Leader of this House; and this much I can say with certainty that there was only one European gentleman in our delegation who is now a Member of the Assembly, and I can assure you that in every respect he behaved as if he were an Indian and there was nothing to show any difference between him and ourselves; everybody took him for an Indian in spirit. Now, Sir, with that experience, I feel that this Resolution before the House is rather unfortunate. If I may say so, it is unnecessary and impolitic—unnecessary because it serves no useful purpose, impolitic because it might cause irritation in quarters which it is not advisable at this stage of

our country's progress to alienate. Unnecessary I say because hitherto our delegations to foreign countries, whether it is to the League of Nations or to the imperial conferences, have contained a majority of Indians in many cases. An instance has been cited in connection with the World Economic Conference of last year, but even there these were very respectable and representative men who were actually put in but who were not prepared to accept the place, for reasons which it is not for me to expound. But I do know this that in almost all the conferences which were held in the past, Indians did take a part together with Europeans and the English members thereof were only too glad to leave matters in the hands of the Indians. If only my Honourable friend will refer to the reports of the imperial conferences he will find in the speeches made by the Right Honourable Srinivasa Sastri, the late Lord Sinha and Sir Muhammad Shafi clear evidence that they had the lead and that the European members were there more as advisers than as the guiding spirit. I therefore think, Sir, that this Resolution is unnecessary. I have said it is impolitic. My Honourable friend said that there would be an impression in the outside world that Indians are incompetent. But would any one who had listened to the speeches of Mr. Sastri or Sir Muhammad Shafi or the late Lord Sinha, whether in England or at Geneva or in South Africa, have the hardihood to say that Indians are unable to discharge such duties? That objection therefore cannot be said to have any force.

Now, Sir, it has already been pointed out that this is not a time to bring forward such Resolutions. We are on the eve of great reforms and it has been said in this Council, and I am sure my Honourable friend there is aware of it, that there are men in England who cannot be said to be friends of India. It is not a single Churchill there nor a single Lord Lloyd or Page-Croft. There are hundreds and thousands of men there who are perfectly willing to think that any stick is good enough to beat India with: and when they are speaking of safeguards they will point to Resolutions like this and say,

"Why do you object to safeguards being demanded by us? Here are men who think that there are differences between Europeans and Indians".

I would appeal to my Honourable friend that this is a time when we must take the greatest care that no such impression should be given. That is why I say this Resolution is impolitic. I should think, Sir, that there can be no doubt that these are days when it is impossible for us to do without British help in this country, at any rate for a long time to come. It is the will of a benign Providence that these two countries should be united together and there are Britishers in our country who have spent the best part of their life in this land, who have adopted this land, who have served either as officials or in commercial circles and until the day comes when Indian or European alike believes that he is a citizen of India, whether he was born in this land or not so long as he lives here, there will be no hope for this land. But on that day when every Indian believes, and every European in India believes, that he is bound to serve this land and there is no difference between Englishmen in India, and Indians in India, then, Sir, will be the day for the salvation of this country. I would appeal to my Honourable friend to consider the matter very seriously and withdraw his Resolution.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal: Non-Muhammadan): Sir, I know it is a hardy annual but unfortunately the soil of this House appears to be as barren as the sands of the Sahara and naturally the annual tries to shoot forth the new foliage but is

[Mr. Jagadish Chandra Banerjee.]

killed before it bears any flower and fruit. I know it is useless to put in manure and water into this plant yet I feel satisfied when by our attitude we are able to prove to the Treasury benches and their saner nominated supporters like my friend Mr. Bijay Kumar Basu that they are obstinate, unreasonable and unbending in their attitude even to this reasonable question. The Resolution demands the appointment of an Indian leader to the delegations from India to the League of Nations and other international conferences. It does not restrict the choice of Government either to Indian politicians or to officials. The Resolutions as worded would appear to satisfy my friend the mover even if an Indian prince be appointed. Not to speak of an Indian prince it may even satisfy us if one of the brown bureaucrats of His Excellency the Viceroy's Executive Council be appointed. But, nay, Government is determined to shut the Indians out from such appointments because they can not trust Indians in international politics. Not only that, it may be that the Whitehall despot wants the humiliation of Indians not only in India but also at the bar of the international world. But, Sir, what happens in essence is that by the actions of the Secretary of State, British politicians are themselves humbled to the ground. The internationals present at such conferences understand the real game of the Britishers. In this connection I would like to quote the experiences of two of our respected leaders, one of the moderate group and the other of the extremist group. On the 13th March, 1928, Sir Purshotamdas Thakurdas narrated his experiences in such conferences like the International Labour Conference in the following terms :

"The one question which I had to answer at least half a dozen times to nationals from Germany, from France, from America, from Sweden and from Norway was 'How is it that we do not see Indians oftener at these international conferences but only Englishmen or Britishers?'."

"I remember now after a speech which I delivered at one of those conferences I was asked, 'Can Indians really speak in English as you do and if they can why is it that your Government send Europeans?'."

This is not all. In this connection I would like to quote the experiences of our beloved respected leader the late Lala Lajpat Rai. He experienced the same difficulty in the International Labour Conference in connection with the absence of Indian leaders and Indian members of delegations to such conferences. This is what he said :

"I also made it a point to meet the representatives of capitalists who were at that Conference (meaning the International Labour Conference) and all of them put me the question, 'Why can not you Indians come and tell us what you feel on these questions relating to India?'."

Further on the late Lala Lajpat Rai stated as follows :

"You would often be told there as I have been by others, 'We do not want to hear Englishmen, we know their views, we know what they are likely to say, we want to know what you have to say.'"

I think these experiences were sufficient to prove our case. But, Sir, the late Lala Lajpat Rai in the course of his speech stated that Indians are deliberately kept out by European leaders and representatives from giving out the Indian side of the case. This is what he stated. It reads as follows :

"I of course put forward my views but the atmosphere was such that Englishmen representing India at those international conferences certainly in effect prevented us from putting forward our views and if that was so the House can imagine what views they would put forward if they were the only representatives of India."

Further on he stated as follows :

" For the good name of India, for the good name of the British Government itself, it is absolutely necessary that the representation at such international conferences should be purely by Indians and by nobody else and no false ideas of economy should stand in the way of sending the full quota of Indian delegates ".

If I am to summarize the position it is that Indians are fit but for imperial considerations they cannot be appointed as leaders of delegations. If that be so then the British Government had no right to drag India by the nose and make her an original member of the League. The main purpose for making India an original member is not only known to the whole of India but it is known to the international world as will be evident from the following quotation from the speech of Senator Reed delivered by him in the United States Senate when the Treaty of Versailles was being discussed in the Senate. It reads as follows :

" The British Government have managed to have one additional vote by getting a seat for India in the League of Nations although India is not a self-governing nation but a nation of three hundred million chattels managed by the British ".

Sir, I think the prestige of England will be further lowered by their refusal to appoint Indians as leaders of delegations to such international conferences. Every member of the League by now knows that Indians are available of such calibre that Europeans will fade before them as a twinkling star fades before the full moon. I would therefore even now hope that to save their own faces Government should accept the proposal with good grace.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Sir, I find it extremely difficult to make a speech on this subject this afternoon after hearing the speeches that have been made. The Honourable the mover of this Resolution made a speech of which by far the largest part was such as to be absolutely non-controversial. I would be prepared to endorse something like 80 per cent. of his observations. Practically it came to this that he was moving this Resolution because he had picked upon this hardy annual out of his last year's bundle. Had he thought about it before sending it in, he would have modified it in order to accord with the speech that he has made in support of it. I thought to myself, "Better late than never"; he has thought over the matter and realized the difficulties of the situation, and we were very nearly in agreement with each other. Then came two speeches towards the end of this debate which, I much regret to say, contained an element of bitterness. I would not have minded it, because every one is entitled to his own way of putting forward his own views but for the fact that they appear to be based entirely on ignorance of facts. Both the last speakers have said,

" Why was India made a member of the Assembly of the League of Nations ? Just to fleh India out of money, just to get an additional vote for England, and yet they never appoint an Indian leader. They do not trust him ".

Now, Sir, if it were a fact that Indians never led the delegation to the League of Nations, there would be some justification for those observations. But the Indian delegation to the Assembly of the League of Nations in 1929 was led by an Indian, my predecessor in this office. In 1930, the next year, it was again led by an Indian. In 1931, the third year, it was again led by an Indian. In 1932, it was again led by an Indian, and last year, in 1933, it was again led by an Indian who sat in my place two years ago—I mean Sir Brojendra Mitter. Here we are—1929, 1930, 1931, 1932, 1933—for five

[Khan Bahadur Mian Sir Fazl-i-Husain.]

years running the Indian delegation to the League of Nations has been led by Indians, and here are two Honourable Members getting up and making all sorts of insinuations and all sorts of speeches and saying,

“ Here we are ; we pass this Resolution. This is a hardy annual. The object is to take away India's money and take it to Geneva. It is also to have the Indian vote. But they do not trust Indians ”.

Surely, Sir, one expects an Honourable Member of this House to show a little more knowledge of the affairs of his own country and the delegation on which the House has been insisting that it should be represented. In accordance with the wishes of the House, as a rule a seat has been found for a Member of this House. As regards the point that it should be a predominantly Indian delegation, last year's delegation to the League of Nations was composed as follows : Leader, Sir B. L. Mitter ; Members, Sahibzada Abdussamad Khan, Sir Hormusji Maneckji Mehta and Sir Denys Bray. Which one of these does the Honourable mover or any of his supporters object to ? Every one of them falls within the definition of an “ Indian ” whichever way you look at it. Here was Sir Denys Bray. He was our Foreign Secretary for a long time. No Indian has been a Foreign Secretary. We did want a man with some knowledge of foreign affairs. What is more natural than that he should go to Geneva and save India the expense of travelling from India there and his allowances and so on ? What one wants is fair play in debate and the forming of opinions on the basis of facts. Differences of opinion there must be. Why not ? But wrong facts—not facts, but absolutely fictitious things and to call them facts, and on the bases of those fictitious things, to build up an argument and then make such insinuations—one would ordinarily feel really very humiliated either to be victimized like this or to be a colleague of those who are guilty of it. Not that I personally feel very much. Any Honourable Member may say anything to me or to the Government. That does not matter. It is neither here nor there. But I do appeal, Sir, to the House—a certain amount of regard for facts is not too much to expect. I was very grateful to one of the Honourable Members who tried to bring clear thinking into the debate. He very rightly said,

“ What are the problems ? What are the points involved in this controversy ? ”

He made it easy for me to try once more to place the real issues before the House. As the Honourable Sir Homi Mehta has made two points clear, I will not repeat them. I will just add one more point to the points that he made. It is this. The Honourable Member was speaking of India's views, India's sentiments, India's culture. What does “ India ” mean ? Who is going to be represented at the Conference ? It is not Germany that is represented ; it is not France that is represented. It is the Government of Germany and the Government of France and the Government of England that are represented, and it is the Government of India that is represented, and not India, of which each member as he speaks has his own picture. In the Conference, what the leader and the delegates have to express are not the views of their own particular clique or party, not their own chamber of commerce or their own *sabha* or their own *anjuman*. It is the brief that the Government of India have given to them. It is the brief that the Government of India has briefed them with. If I am right in that contention then really and truly the whole thing lies in the preparation of that brief. It cannot but be the duty as well as the privilege of the Government to prepare it and give it to their representatives. If that is so, the question of the leader being a non-Indian

or a Britisher giving away India's rights does not arise to the extent that the Honourable Member made us believe. No doubt the presentation of that case lucidly and forcibly, in a way to win rather than to alienate support, is the function of the leader and the function of the representatives of the Government. Therefore for your leader and other members of the delegation the best possible men should be secured. But let it not be forgotten that the views to be expressed are the views of the Government of India and they have been given to the delegation in writing and they must adhere to them. Any one who is not prepared to do that cannot accept the leadership and cannot be a representative of India at that particular conference. Then, Sir, as pointed out by the Honourable Sir Homi Mehta, it is a fact that the Secretary of State is the head of the administration of the Government of India, and therefore if there is an international conference at which he is present, no authority can supersede him and say we must have an Indian. And what for? If he lays down the law, you cannot go and say something different. What you have to say is that what is being said is in the best interests of India. Whether in the record of a gramophone it is one singer or the other, still the song is the same, though no doubt the voice of the singer makes some difference. Therefore, what is left of the Resolution? Only this, that if in these international conferences the Indian delegation is led by an Indian and is composed of a majority of Indians, the prestige of India is enhanced thereby; and if the leader is a non-Indian and the delegation is predominantly non-Indian, the impression gets abroad that Indians are not up to much, had they been they would have been well represented on that delegation. Well, that is a very natural sentiment with which no one can find fault, and it is a sentiment which has ever been present to the mind not only of the Government of India but also of the Secretary of State. I mean to say that is a point on which we are not at issue. But the trouble comes in when you come out with your hardy annual to the amendment or revising of which you pay no attention. You hear a debate of two or three hours every year and you treat it as if it did not exist. If you took any notice of it this wretched annual might have attained new youth and vigour and it would probably have found favour with a very large section of the House. But you bring it along dressed in the same old rags, and it has been so fired at that there is hardly a shred of decent clothing left on it. It is in a horrible way. My advice is, leave it alone and get on to something more profitable than that.

Well, we were talking about imperial conferences. Surely Honourable Members are not unaware of the fact that the last Imperial Conference of 1930 had, beside the Secretary of State, two Indians, one the Maharaja of Bikaner and the other one who was Leader of this House for a long time, the late Sir Muhammad Shafi. There again, with these facts before you, where is the question of amending the Resolution and saying that delegations should be predominantly Indian. Well, wherever it is possible they are already predominantly Indian. In this case, barring the Secretary of State it was entirely Indian. There may be cases where a very technical matter has to be considered at a conference, say, the matter of opium. Well, you do not send to an Opium Conference a man who talks of ideals and culture, and so on, unless it is only after taking opium that he can talk like that. It is not Indian culture but the cultivation of poppies that you have to discuss. So, you have to bear in mind the subject-matter of the Conference and not all these other things which are very interesting in their own way but which are not relevant.

Sir, I was very much impressed by what was said by the Honourable Mr. Henderson as well as by Sir Kurma Reddi. We must remember that it is no use our echoing the catchwords of third class political platforms, and urge



[Khan Bahadur Mian Sir Fazl-i-Husain.]

ill-conceived propositions. We must consider each proposal with reference to present-day conditions. Is it wise today to bring in a Resolution which may reasonably lead people to believe that it is an attempt at a racial bar being raised against non-Indians. I have not the slightest doubt in my own mind that the Honourable the mover has no such intention. I have no doubt at all in my mind on that subject. But the Resolution as it stands can reasonably be interpreted to be a racial one. In fact it is so easily and naturally interpreted to be a racial one that the Honourable the mover had to protest more than once that it was not racial. But it is no use protesting. Protesting cannot make a Resolution different from what it is, however much you may wish it to be. In view of that fact it would perhaps be as well if the Honourable the mover were not only to say that it is not racial but to throw it away, since it is liable to be misunderstood in such a way.

I must now, Sir, conclude with the observation that I believe that the views of the House as a whole on this subject are as follows. The Government of India should choose the best men possible for serving on imperial and international conferences to represent the Government of India. Where Indians are available no doubt Government would select them, but if a suitable man is a non-Indian that should not be a ground for not selecting him. That is a view which seems to me quite sound and sensible. What I am very much concerned with, representing Government as I do, is that no Government can afford to tie its hands in the matter of nominating members of its delegation. The variety of subjects for these conferences is so great that it is impossible to predicate any particular percentage or any particular proportion. We may be sending only one man and it may happen that you cannot send a good technical man except a Britisher, or it may be that there is a very good man and the subject is such that you cannot send a Britisher and you must send an Indian. Why not? Seeing that lately the composition of Indian delegations to various conferences has been such as to be entirely or predominantly Indian on general subjects, I say there is no justification for the subject being mooted again and again in this Council, and therefore seeing the history of the case it is for the Honourable the mover of this Resolution to make up his mind whether in the light of all the facts disclosed during the course of the debate it is not advisable for him to withdraw his Resolution. As to what will happen to the debate, he may rest assured that as the debate is on a subject which concerns the Secretary of State, because he is the head of the Indian administration and is responsible to the British Parliament for the government of India, it will in due course be forwarded to him.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I do not wish to make any elaborate speech. I simply want to make clear the position of my Party and explain why we have brought forward this Resolution. There is no doubt that Government has advanced a great deal towards meeting the point of view of Indians. But, Sir, we know that if we give up our fight the Government is prone to slide back ; it is just to keep them alive and active that we bring in this sort of reminder. There is a Persian couplet,

“Taza khahi dashtun ger daghhaé sina ra  
Gahé gahé baz khan en daftar-á-parina ra,”

which means that if you wish to keep the memory green, you should always recite things often. Sir, I have a great respect and admiration for my colleague Sir Kurma Venkata Reddi, but a weak case does require special pleadings and

even my friend was unable to deal with the case without having recourse to them. We are told, Sir, that we should think internationally. In a House, in a conservative House like ours, whiffs of internationalism are very welcome and we wish that it would not be preached to us alone but to other quarters across the floor. Sir, there is no doubt that Europeans sometimes do work as Indians. They have worked even in days when there were no Legislatures, when there were no representatives of the people at headquarters, even then they worked for the interests of India and to a certain extent they did advance India's cause. No one denies it. Englishmen have done great service to India, but, Sir, can we forget that after all blood is thicker than water, that after all the interests of England and the interests of India when they clash, Europeans can never be false to their own country, and we admire them for it. This morning we had a lecture from our Gallant colleague that we should call a spade a spade and I also say, Sir, that we should not be afraid of ventilating our grievances whenever we have them. One of the great questions of the day is how is India to fare in international organizations. The reason why this Resolution was brought forward was to do exactly the thing which has generally been advised. It is rather unfortunate, Sir, that in wording the Resolution the word "alone" appears at the end which, according to the speech of the Honourable mover, he is prepared to withdraw and substitute it by the word "generally" before the word "composed." By means of this he would have brought round the wording of the Resolution more in consonance with the purport of his speech, and I would request you, Sir, that you may be pleased to accept this suggestion?

**THE HONOURABLE THE PRESIDENT :** I am not prepared at this stage to accept it.

**THE HONOURABLE MR. HOSSAIN IMAM :** There is another point, Sir. Our Honourable Leader gave us a very good argument—that it is immaterial whoever composes the deputation as long as the control of the case is in the hands of the Government of India. I wish it were the case. I wish the Government of India had that independence. Is it not a fact that the Secretary of State for India is superior to them? When he leads a deputation can they dictate to him to do a thing which they want? The day the Secretary of State for India will cease to be the controlling authority for India as he is now—that day would be the dawn of *Swaraj* when my Honourable colleague across can dictate to the Secretary of State. It is for this reason, Sir, that we wish that in all these delegations the Government of India's hands should be unfettered. It should not be so manipulated that the Secretary of State for India comes in and thereby compromises the position of the Government of India itself. It is for this reason that the Resolution has been brought forward. Sir, with the vogue of Indianization, it is necessary that we should be taught more and more to stand on our own feet and to rely upon ourselves. I am very thankful to the House for, with the exception of one Honourable Member, no one showed signs of an inferiority complex and every one was confident that if India is given an opportunity she will not disgrace herself. May I say that Mr. Henderson's apprehensions were a little unjustified? All this question of discrimination has rested on the fact that Europeans resident in India should be treated as Indians. It has never been claimed that Englishmen or Europeans living outside India should have the same privileges as Indians. May I refresh his memory? In the course of the Reserve Bank discussion the point was prominently brought out that Europeans when they left the shores of India would not be able to hold shares in the Reserve Bank

[Mr. Hossain Imam.]

This is a thing which has recently been passed by this Council and received the assent of the Viceroy too. That shows that discrimination which is to be avoided is not discrimination between Indians and Europeans, but discrimination between two residents of India and we would like it to be understood that by this Resolution we do not wish to discriminate between residents in India. If there is any discrimination, we do not deny that it is discrimination against Europeans who are resident outside India, who have nothing in common with us, who do not know our feelings, who have no experience of our requirements and if they are to pose as our leaders and if they are to pose as our masters, we would certainly object to that. And I think the Honourable Mr. Henderson would also endorse that, there is no element of discrimination there. And if it were necessary to find greater assurance it might be had by having an adaptation clause defining it,—just as Anglo-Indians have been defined as statutory Indians,—Europeans resident in India may also be defined as Indians for this purpose.

Sir, we realize that as far as the League of Nations is concerned, the Government of India has fully met our case and we have no complaint against them. But it is mainly in regard to other affairs that we have to complain, and we hope that the Government will in future be more considerate of the feelings of Indians.

With these words, Sir, I support the Motion.

\*THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, I am very thankful to those Honourable Members who have supported my Resolution. I am sorry, Sir, that the Honourable Mr. Henderson has thought that the Resolution involved a spirit of discrimination. I may tell my Honourable friend that the word "Indian" has come to mean domiciled Europeans and Anglo-Indians. As regards the contention of my Honourable friend Mr. Suhrawardy that he supported the first part of my Resolution but opposed the second part, may I point out that when the Indian delegations to the League of Nations have during the past few years been led by Indians and the interests of India or the views of the Government of India have been quite competently expressed by those Indian leaders, what harm can there be if the delegations to other imperial and international conferences are also led by Indians ?

I am, of course, grateful to my Honourable friend, Sir Homi Mehta, for further elucidating my point and I have nothing to say with regard to his observations. Then, Sir, as regards the observations of my Honourable friend, Sir Kurma Venkata Reddi, I may at once say that I do not see eye to eye with him. He thinks that we ought to cultivate a spirit of internationalism and an international mind. Well, Sir, I quite agree that nations which can afford to do so ought to cultivate an international mind. But my idea is that only countries and nations that have got self-government can afford to be international in their outlook. If India were to think of internationalism alone then would it not mean that she should cease to demand political rights from the British Government ?

THE HONOURABLE SIR KURMA VENKATA REDDI : I never meant that India should cease to demand her rights.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : That is the whole question, Sir. If Indians in the Legislatures or outside the Legislatures press on the attention of Government that more rights should be conceded

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\* Speech not corrected by the Honourable Member.

to Indians or that the services should be Indianized, it is only for their political rights that Indians stand, and so long as India continues to be in that plight she cannot in my humble opinion afford to think of internationalism in season and out of season.

Then, Sir, the Honourable Sir Kurma Venkata Reddi was also pleased to observe that this Resolution was unfortunate, unnecessary and impolitic at this stage. I thought that he would advise me as to when such a Resolution could be politic. Because I have often heard that such and such a question is impolitic at this stage but those of my Honourable friends who think so never seem to tell us when exactly those questions would be politic.

I have already dealt, Sir, with the question that my Resolution savours of racial discrimination. I have already pointed out that as in every matter Indians press forward their demand for political rights and request the British Government to concede more concessions to Indians, I am afraid the racial question cannot unfortunately be eliminated altogether. But I made it clear in my speech that I had no such intention at all, I had no intention to bring in the question of racial discrimination. Nothing was further from my mind. I hope this statement alone on my part will satisfy my Honourable friends that I was not guided by any such motives but was prompted by the best of intentions. I recognize, Sir, that the British connection with India is to our good. I realize that we have many more things to learn from the British. But I hope one is that India should be conceded more rights under the ægis of the British Crown.

Then, Sir, my Honourable friend, the Leader of the House told us that the delegations to the Assembly of the League of Nations have been led by Indians for a number of years. That is exactly what I had acknowledged gratefully in my first speech. What I fail to understand is that when the views of the Government of India were successfully represented by the Indian leaders who led the Indian delegation to the Assembly of the League of Nations, why Indians cannot lead and why they cannot predominantly compose Indian delegations to imperial and international conferences.

However, Sir, we should be very grateful for small mercies and I am thankful to my Honourable friend the Leader of the House for giving an assurance that the debate on this Resolution will be forwarded to the Secretary of State. I think, Sir, that will serve my purpose and in view of that assurance, Sir, I beg leave of the House to withdraw the Resolution.

**THE HONOURABLE THE PRESIDENT:** Before I proceed to ask the Council's leave to withdraw the Resolution I must point out to the Honourable mover of this Resolution that his criticism on the Honourable Mr. Henderson was somewhat unfair. It is perfectly true that the Honourable Member in his speech disowned all ideas of discrimination and spoke in a manner which made it perfectly clear that he was not in favour of any discrimination. But as long as the frame of the Resolution stood—as long as the word “alone” stood there—I must point out that the Honourable Mr. Henderson was perfectly justified in giving expression to his sentiments from his point of view.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD:** I did not criticize the Honourable Mr. Henderson at all. I simply said that the word “Indian” included domiciled Europeans.

**THE HONOURABLE THE PRESIDENT:** But it was my impression that you said that his speech on the other hand savoured of discrimination?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD: I said that he thought I was bringing in the question of discrimination.

THE HONOURABLE THE PRESIDENT: And unfortunately it was my impression so far as the Resolution was framed.

The Resolution\* was, by leave of the Council, withdrawn.

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### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, as I indicated in the statement which I made on the 6th March, the Council will now have no further business until the Finance Bill is passed by the other House. In these circumstances, the Council might I suggest adjourn to a date and hour to be intimated by circular as soon as the Finance Bill is passed by the Legislative Assembly, which will I hope pass the Bill towards the end of the current week.

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The Council then adjourned to a date to be notified to Honourable Members by circular.

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*\*Vide page 519, ante.*

# APPENDIX.

## TABLE A.

### *Strength of British Army.*

Home	110,298
Abroad (other than India)—	
Bermuda	409
Jamaica	662
Gibraltar	2,522
Malta	3,043
Cyprus	184
Egypt	10,014
Sudan	1,713
Palestine	1,963
Aden	216
Mauritius	121
Ceylon	256
Malaya	1,511
China	7,329

## TABLE B.

### *Basis of charges.*

The amounts paid by these Colonies are fixed as follows :

*Bermuda*.—The contribution is based on a rate a head of the local population.

*Cyprus*.—A fixed sum of £10,000 a year.

*Mauritius*.—Five and a half per cent. of the Colony's assessable revenue. In view of the Colony's financial difficulties the contribution has been reduced to £15,000 a year for two years from 1st July, 1932.

*Ceylon*.—Three-fourths of the total cost of the garrison, or nine and a half per cent of the assessable revenue, whichever is less. The estimate is on the former basis.

*Straits Settlements*.—The cost of the garrison, or 20 per cent. of the assessable revenue whichever is less. The estimate is on the former basis.

*Hong Kong*.—The cost of the garrison, or 20 per cent. of the assessable revenue whichever is less. The estimate is on the latter basis.

## TABLE C.

### *Colonial contributions.*

	Estimates for	
	1933.	1932.
	£	£
Bermuda	3,500	2,500
Cyprus	10,000	10,000
Mauritius	15,000	51,000
Ceylon	87,000	80,000
Straits Settlements	437,000	522,000
Hong Kong	389,000	387,000

### *Effect of the Capitation Tribunal Report (in lakhs).*

	Budget, 1933-34.	Budget, 1934-35.
Army capitation	1,86.67	1,66.67
Insurance and pension	31.72	38.62
Royal Air Force capitation	14.28	26.67

2,32.67      2,31.96

Difference      71,000



## COUNCIL OF STATE.

*Wednesday, 28th March, 1934.*

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The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

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### MEMBERS SWORN :

The Honourable Mr. James Braid Taylor, C.I.E. (Additional Finance Secretary).

The Honourable Maharajadhiraja Sir Kameshwar Singh of Darbhanga, K.C.I.E. (Bihar and Orissa : Nominated Non-Official).

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### QUESTIONS AND ANSWERS.

#### BIHAR EARTHQUAKE.

80. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Has the attention of Government been drawn to the statements of the President of the Bihar Central Earthquake Relief Committee, as published in the *Searchlight* (Patna) in its issues of the 7th, 16th and 28th February last ? If so, do Government propose to adopt his suggestions as to

- (1) Reconstruction of houses ?
- (2) Restoration of wells ?
- (3) Reclamation of land rendered unfit for cultivation by deposit of sand or by collection of water ?
- (4) Helping those who have lost their stock, trade or business to re-start life ?
- (5) If reclamation of land is not possible, then migration of the afflicted population ?
- (6) Disposal of sugar-cane crops, etc. ?

(b) Has Government formed any estimate, however rough, of the probable cost of the rehabilitation of the devastated towns and countryside, respectively ? If so, what is that estimate ?

(c) Is it a fact that Government propose to advance only Rs. 7 crores to the Government of Bihar and Orissa for reconstruction work in the towns and countryside ?

(d) What is the total amount contributed to the Viceroy's Earthquake Fund so far ? How much more do Government expect as further contribution to that Fund ?



(e) Do Government propose to consider the desirability of deducting a substantial amount *pro rata* from the pay of each Government servant drawing salaries, say, of Rs. 1,000 and upwards, from month to month for a period of one year, and crediting the deductions so made to the Bihar Earthquake Relief Fund?

THE HONOURABLE MR. M. G. HALLETT : (a) and (b). The Government have seen the statements referred to. As the Honourable Sir Alan Parsons explained to the House recently, Government are not in a position yet to estimate even roughly the total cost of reconstruction, and I am afraid I am in no better position today to give a detailed estimate. The magnitude of the task and the difficulty of giving an estimate may be seen by the following facts. One of the main problems in the rural areas is the problem of the removal of sand deposits. To make an estimate of the total damage the Government of Bihar and Orissa have arranged for a detailed survey plot by plot over the whole of the affected area in the districts of Muzaffarpur, Darbhanga and Champaran. This survey is being conducted over an eighty-mile front starting in the area where the damage was most serious. The total area to be surveyed is about 4,000 square miles but it is hoped that the survey of this large area will be completed by May 7th. The results of the survey of a portion of the area have been examined by the Local Government and I hope they will be in a position after a somewhat larger area has been surveyed to give a rough estimate of the total damage. I may add that as soon as the survey party in any particular area is completed, the Government of Bihar and Orissa have arranged for a second party to come along and distribute relief to the cultivators whose land has been damaged either in the form of gratuitous relief or loans. There is the further very difficult problem in the rural areas which arises out of the possible changes in the levels of land but this problem is also being dealt with by the Government of Bihar and Orissa and their officers. In the urban areas the local officers are confronted with the dual problem of providing temporary and permanent houses for those whose houses have been damaged and destroyed by the earthquake and though I am not in a position to give full details of the work that is being done, I shall be only too glad to give any Honourable Member such information as I have obtained during my recent visit to the area and to give information of both official and non-official agencies working to relieve the distress.

(c) The position has been explained in this House and by the Honourable the Finance Member in his budget speech. The Government of India have undertaken to bear the whole cost of restoring the property and finances of local bodies and also the whole cost of the special measures for dealing with the sugar-cane crop. In addition they have undertaken to bear half the cost of restoring the Provincial Government's buildings and other public works, and also the cost of assisting agriculturists to the extent that it cannot be met from the Local Government's Famine Relief Fund. The Government of India have further undertaken to advance whatever capital may be required for financing loans for rebuilding purposes to those persons whose position does not warrant charitable assistance.

(d) The total amount contributed to the Viceroy's Earthquake Relief Fund up to the 24th March, 1934 was nearly Rs. 36 lakhs. The Government are not in a position to estimate what further contributions will be made.

(e) No.

**REPRESENTATION OF MUSLIMS IN THE AGENT'S OFFICE, EAST INDIAN RAILWAY, AND AGENT'S OFFICE, EASTERN BENGAL RAILWAY.**

**81. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ :**

(a) Will Government kindly state the total number of the permanent subordinate staff of the different branches of the Agency Department, East Indian Railway, Calcutta, and of the Eastern Bengal Railway separately by communities ?

(b) Is it a fact that there is not a single permanent Muslim employee in the ministerial establishment of the Agent's office in either of the branches proper ?

(c) If the answer to (b) above is in the affirmative, what steps do Government propose to take to improve the representation of Muslims in that office ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) and (b). Government have no information beyond that contained in Volumes I, II and III of Mr. Hassan's report on the representation of Muslims and other minority communities in the subordinate railway services copies of which are already in the Library of the House.

(c) Instructions were issued to the Agents of State-worked Railways in September, 1926 to follow the policy of Government to reserve one-third of the vacancies for the redress of communal inequalities.

**BARRACKPORE RACECOURSE EXTENSION, EASTERN BENGAL RAILWAY.**

**82. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state :

(a) When the Barrackpore Racecourse extension line was constructed ?

(b) The total length of the mileage and the total cost of the extension ?

(c) What is the annual upkeep cost of the extension and the amount realized from the passenger traffic on this extension ?

(d) Whether the Calcutta Turf Club paid any amount towards the construction of this extension ? If so, how much ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) In 1928.

(b) The length is one and a half miles and the total cost Rs. 3½ lakhs.

(c) I am obtaining the required information from the Railway Administration and will send it to the Honourable Member in due course.

(d) The extension was originally constructed by the Turf Club at their own cost, but after completion it was taken over by the Eastern Bengal Railway on payment of the amount quoted in my reply to part (b).

**PASSENGER FARES ON RAILWAYS.**

**83. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state if the rates of passenger fares vary in different railway systems ? Have Government considered the desirability of introducing the same rate of passenger fares on at least the State-managed Railways ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** The answer to the first part is in the affirmative. As regards the second part, financial and other conditions on different railways do not permit of complete uniformity in the matter of passenger fares even on State-managed Railways.

#### SALE OF CONFISCATED FIREARMS.

**84. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state :

(a) If it is a fact that Government are selling by private treaty and/or at public auction, firearms forfeited or seized from licensees and others ?

(b) The number of weapons so sold during the past 12 months ?

(c) The amount credited to Government by such proceeds and the average price realized per weapon ?

(d) Are Government aware that single barrel guns and double barrel guns can be purchased from certain Court *malkhanas* at ridiculously low prices, in some instances as low as Rs. 2 for single barrel guns and Rs. 5 for double barrel guns ?

(e) Do Government realize that by such procedure, the loss involved in customs duty alone, where the purchaser would invariably obtain his firearms from a licensed dealer on which a minimum import duty of Rs. 18-12-0 per weapon is levied, on the cheapest class, to 40 per cent. and 50 per cent. on firearms of an imported value exceeding Rs. 40 and over, apart from the increased income-tax the dealers would be liable to pay by such additional sales ?

(For reply, see under question No. 85.)

**85. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : (i) Will Government be pleased to state the number of weapons seized, forfeited or deposited to Government during the past 12 months, with the exception of the district of Chittagong (a) rifles, (b) guns, (c) revolvers and pistols ?

(ii) Will Government be pleased to state if the unsold weapons each year are actually destroyed in accordance with the Government rules on the subject at present in force ? If not the quantity and number of weapons which are still held over in the various *malkhanas* ?

(iii) Whether all rifles of prohibited bores and revolvers and pistols forfeited and/or seized by Government are duly sent each year to the ordnance officer designated for that purpose, to be broken up and destroyed ? If so, the number sent for that purpose during the past three years ?

**THE HONOURABLE MR. M. G. HALLETT :** With your permission, Sir, I propose to answer question Nos. 84 and 85 together.

The general purport of the rules governing the disposal of confiscated arms and ammunition is as follows :

Arms and ammunition which can be utilized by the police or any other Government department may be retained and brought into use with the sanction of the Local Government. Arms and ammunition not retained for the use of a Government department fall into two classes. The first class, and this

includes all revolvers and pistols and all rifles of prohibited bores has to be sent to the nearest arsenal for destruction. The other class, which includes single and double barrelled guns, and rifles of non-prohibited bores, may be sold to licensed dealers or to other persons entitled to possess them.

These rules are administered by the Local Governments, and the Government of India have no doubt that they are being observed. A copy of the Honourable Member's questions and of this answer will, however, be forwarded to Local Governments. The Government of India regret that the detailed information for which the Honourable Member asks is not in their possession. As regards the Honourable Member's point about the loss in customs duty involved by selling confiscated arms, this appears to overlook the fact that a licensee may be able to afford a second-hand weapon but not a new one.

NON-PAYMENT OF INCOME-TAX BY PANDIT JAWAHARLAL NEHRU.

86. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Is it a fact that Pandit Jawaharlal Nehru did not pay his income-tax for a year ?

(b) If so, will Government be pleased to state how they have realized the Pandit's income-tax ?

(c) Did they attach any of his moveable properties ?

(d) If so, were they sold by auction ?

(e) How much the properties fetched in all by auction ?

(f) What was the amount of income-tax due from the Pandit ?

(g) Was there any balance after realizing the income-tax from the amount of the sale of the Pandit's properties ? If so, has the balance been remitted to the Pandit ? If not, why not ?

THE HONOURABLE MR. J. B. TAYLOR : Sir, I am debarred by the provisions of section 54 of the Indian Income-tax Act, 1922, from disclosing any particulars contained in proceedings relating to the recovery of an income-tax demand.

RELIEF COMMITTEES IN BIHAR.

87. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :  
(a) Will Government be pleased to state the number of official and non-official relief committees that are working in Bihar due to the recent earthquake and what facilities are being given to the non-official committees by Government and the railway authorities for carrying the materials and eatables for relief operations from one place to another ?

(b) Is it a fact that money order commission is not being charged for remitting money to the Viceroy's Fund ? If so, will Government be pleased to state why the same facility is being denied to the contribution to the Bihar Central Relief Committee started by Babu Rajendra Prasad ?

(c) Will Government be pleased to state if the same facility will be given to the remitters of money to the Bihar Central Relief Committee ? If not, why not ?

THE HONOURABLE MR. M. G. HALLETT : (a) The Government are not aware of the precise number of committees at work. The facilities given by Railways for earthquake relief are as follows :

- (i) Concession of half tariff rates for goods and parcels consigned to *bona fide* relief organizations and certain Government officials for stations in the earthquake affected area.
- (ii) Concession for certain building materials, e.g., thatching grass, bamboos, rope, sal ballies and sal scantlings at one and a quarter annas per vehicle per mile over the metre gauge and one-tenth pie per maund per mile over the broad gauge systems concerned, when consigned to Government officials.
- (iii) Carriage of sugar-cane mills and pans at quarter parcels rates by passenger train and at one-tenth pie per maund per mile by goods train.
- (iv) Concession of special low rates for the carriage of sugar-cane from North Bihar to mills situated at stations on the Eastern Bengal and East Indian Railways.

(b) and (c). The same facilities in respect of money order commission are granted to remissions to both the Viceroy's Fund and the Bihar Central Relief Committee's Fund.

#### CENTRAL HEALTH BOARD.

88. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state if the Central Health Board is going to be revived with effect from the beginning of the new financial year? If so, how much will it cost them for the revival of the said Board?

(b) What was the function of the Central Health Board and when was it created?

(c) Will Government be pleased to state the constitution and the results achieved by the Central Health Board before it was suspended?

(d) What will be the function of the revived Central Health Board?

(e) Will Government be pleased to state what will be the annual total cost for the maintenance of the Central Health Board?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : (a), (d) and (e). The Honourable Member is presumably referring to the proposal which Government have been considering for some time to constitute a Central Advisory Board which would serve as a clearing house of information and ideas relating to medical and public health administration and provide an organization for collective deliberation on matters of common interest. It was estimated roughly to cost Rs. 27,500 per annum. Government have decided not to proceed with the proposal at present for reasons of financial stringency.

(b) and (c). With a view to co-ordination of public health work in its various aspects a Central Health Board was created in 1921 consisting of a limited number of official and non-official experts with the Director General, Indian Medical Service, as Chairman. Its duties were mainly to give advice to the Government of India and to Local Governments on such technical matters and questions of policy as might be referred to it by those Governments. It met only once and came to an end in 1923 owing to financial stringency.

HEALTH OF ANANDA MOHAN GUPTA, DETENU IN THE ANDAMANS.

89. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the condition of the health of Ananda Mohan Gupta of Chittagong, a convict in the Andaman Cellular Jail ?

(b) Are Government aware that his parents have not been getting any news about him since October last although his father Mr. Jogendra Mohan Gupta wrote to the Superintendent of the Jail in January in reply postcards first and then sent a reply prepaid telegram to the Superintendent to inform him of the convict's present state of health ?

(c) Will Government be pleased to state if any reply was given to the wire of the father of the said convict Ananda Mohan Gupta by the Superintendent of the Andaman Cellular Jail ? If so, why ?

(For reply, see under question No. 90.)

DELAY IN COMMUNICATIONS WITH DETENUS CONFINED IN THE CELLULAR JAIL, PORT BLAIR.

90. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government be pleased to state why unusual delay occurs in sending replies to the parents and relatives of the detenus and convicts at the Andaman Cellular Jail ? What steps do Government propose to take to expedite replies from the Office of the Superintendent of the Andaman Cellular Jail ?

THE HONOURABLE MR. M. G. HALLETT : Sir, with your permission I shall reply to questions Nos. 89 and 90 together.

Government have no information in regard to the health of Ananda Mohan Gupta but there are standing orders that the relatives of any prisoner whose health is giving cause for anxiety should be informed to that effect. Government are aware that there have been considerable delays in the delivery of letters sent by prisoners in the Cellular Jail, Port Blair, to their relatives. The Government of India are in correspondence with the Government of Bengal with a view to making arrangements to expedite delivery. Prisoners are permitted to send communications not more than once a month and the system of reply-paid postcards or reply-paid telegrams sent to the Superintendent of the Jail cannot be used to defeat the ordinary jail rules.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will the Government be pleased to state the number, names and the native districts of the Bengalis who are now confined in different jails in Burma under the Burma Ordinance Act ?

THE HONOURABLE THE PRESIDENT : You do not expect the Honourable Member to reply to a question like that off-hand ?

TEXTILE AGREEMENT BETWEEN THE BOMBAY MILLOWNERS AND LANCASHIRE DELEGATION.

91. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the terms of the Textile Agreement between India and Lancashire, known as Mody-Lees Pact ?

(b) Were the representatives of all the Millowners' Associations in India consulted by Government on this Agreement ? If not, why not ?

(c) When will the terms of the Agreement come into operation ?

(d) Will Government be pleased to state how the said Agreement will be given effect to by Government ?

THE HONOURABLE MR. T. A. STEWART : (a) Copies of the Agreement referred to have already been supplied to Honourable Members. Copies are also available in the Library.

(b) Government have had ample opportunity of studying the opinions of associations and others interested in the textile industry. There was no necessity to invite opinions.

(c) and (d). The Honourable Member is referred to the statement of objects and reasons attached to the Indian Tariff (Textile Protection) Amendment Bill introduced in the Legislative Assembly on the 5th February, 1934.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : With regard to part (b), will the Government be pleased to state if they have received opinions of other Mill Associations in India on the subject ?

THE HONOURABLE MR. T. A. STEWART : Yes, Sir.

#### INDO-JAPANESE TRADE AGREEMENT.

92. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Will Government be pleased to state why and when will the Indo-Japanese Textile Pact be signed in London and who will sign on behalf of India ?

THE HONOURABLE MR. T. A. STEWART : Government are not in a position to say when the Agreement will be signed as the drafting is not yet complete. Under the constitution as it exists today only His Majesty's Government can conclude a treaty with a foreign Government on behalf of the Government of India.

#### SUPPLY OF INFORMATION CONCERNING THE HEALTH OF DETENUS TO THEIR RELATIVES.

93. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : (a) Is it a fact that the Honourable Sir Harry Haig, the Home Member, had a conference at Calcutta with some Members of the Bengal Legislative Council over the question of the health of detenus and supplying information relating thereto to the relatives of the detenus ?

(b) If so, when was the conference held and for how many days ?

(c) Will Government be pleased to state the decisions arrived at at the conference for the supply of information regarding the detenus to their relatives ?

(d) Will Government be pleased to state the names of the Members of the Bengal Legislative Council with whom Sir Harry Haig conferred on the matter ?

(e) Will Government be pleased to state the suggestions, if any, made by the Bengal M. L. Cs. who conferred with the Home Member ?

THE HONOURABLE MR. M. G. HALLETT : (a) No.

(b) to (e). Do not arise.

POLITICAL OUTRAGES IN INDIA FROM JANUARY, 1931 TO FEBRUARY, 1934.

94. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the number of political outrages in India, with their nature, province by province, from January, 1931 to February, 1934 ?

(b) How many of them ended fatally and in how many the persons attacked escaped injuries and in how many they received injuries ?

(c) In how many cases the perpetrators of the crimes were arrested and sent up for trial ?

(d) What were the results of the trials ?

(e) In how many of the political outrages the victims were private persons and not public servants of Government ?

(f) Have Government done anything in the nature of making provision for the relatives of the persons other than Government servants, who were either done to death or attacked by terrorists ? If so, what and where ?

THE HONOURABLE MR. M. G. HALLETT : The information available is being examined and a reply will be laid on the table in due course.

MILITARY GARRISON AT CHITTAGONG.

95. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state the up-to-date approximate total cost of posting military pickets in Chittagong ?

(b) Since when the military pickets have been posted at Chittagong and its interior ?

(c) What is the strength of the military pickets in Chittagong ?

(d) How long will the military pickets remain in Chittagong ?

(e) Are Government aware that respectable gentlemen of villages Patya and Dhalghat in Chittagong are sometimes subjected to such indignities as crossing the tanks by swimming at night at the command of the chief of the military pickets who often carry on raids at night to track down the terrorists ?

(f) Will Government be pleased to state what steps they propose to take to stop the misbehaviour of the military ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) The approximate cost of the military garrison at Chittagong, over and above the normal pay, etc., of the troops, amounted to Rs. 1.35 lakhs in 1931-32, and to Rs. 1.09 lakhs in 1932-33. Figures for 1933-34 are not yet available.

(b) December, 1931.

(c) One battalion of infantry.

(d) It depends on circumstances.

(e) No.

(f) Does not arise.





## HEADS OF INDUSTRIAL SECTIONS IN GOVERNMENT OF INDIA PRESSES.

96. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Is it a fact that men in charge of sections on the industrial side of the Government of India Presses are forced to work on the ten-hours' basis a day and is it a fact that in 1920 a Press Enquiry Committee was appointed under the presidency of the late Sir Damodar Thakersey, then M.L.A. ?

(b) Is it a fact that as a result of the report of the said Committee Government have practically stopped overtime and work the Press for eight hours a day during the major portion of the year ?

THE HONOURABLE MR. D. G. MITCHELL : (a) Heads of industrial sections are not employed on a ten-hour basis in the sense that it is their normal working day, but they may be required, when necessary, to work up to ten hours on any day without receiving any overtime allowance. The reply to the second part is in the affirmative.

(b) No. The normal working hours of the Presses were fixed at eight hours a day before the Committee was appointed ; and their report contained no recommendation relating directly to overtime.

## TEN-HOUR BASIS MEN IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

97. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

Is it a fact that the Government of India Press, New Delhi, did not work more than eight hours a day for a single day from 15th April to 15th October last and is it a fact that the men in charge of the sections drew their pay on ten-hours' basis throughout the said period ? If so, why were such men allowed to draw pay at ten-hours' basis when they worked only for eight-hours' basis ?

THE HONOURABLE MR. D. G. MITCHELL : As regards the first part, we have no record of the number of days on which the New Delhi Press worked for not more than eight hours during the period mentioned. As regards the second part, the pay of the men in question was not fixed on the assumption that they would be required to work for ten hours daily throughout the year. The last part does not arise.

## NUMBER OF TEN-HOUR BASIS MEN IN GOVERNMENT OF INDIA PRESSES, ETC.

98. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE :

(a) Will Government be pleased to state how many men there are in all the Government of India Presses on ten hours' basis and for how many days each of such Presses worked for ten-hours and will they be pleased to state the loss to Government during the period of April to October last for not working the Press for ten hours though the men have been employed on ten-hours' basis ?

(b) Do Government propose to bring the pay of these men employed in the Press on eight-hours' basis as the Press actually works for eight hours a day and not ten hours a day ?

(c) Will Government be pleased to state the reasons of fixing pay on ten-hours' basis when the Press during the months of April to October work only for eight hours a day ?

**THE HONOURABLE MR. D. G. MITCHELL :** (a) The attention of the Honourable Member is invited to the reply given by me today to part (a) of his question No. 96 and to question No. 97. The question of loss to Government does not arise.

(b) and (c). Do not arise.

**REPRESENTATION OF MUSLIMS IN THE CENTRAL PUBLICATION BRANCH.**

**99. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ :** Will Government please state :

(a) What is the total number of the staff, permanent and temporary, in the Central Publication Branch ?

(b) The total strength in the Branch, both permanent and temporary ?

(c) The number of men borne on each scale of pay existing ?

(d) The number of Muslims holding permanent posts in each scale of pay as well as the number of Muslims holding temporary posts on those scales or on fixed pay ?

(e) Is it a fact that out of seven assistants in the grade Rs. 80—200 there is only one Muslim ? If so, what are the respective qualifications of the incumbents ?

(f) Is it a fact that several posts in the assistant grade are still lying vacant ? If so, are Government prepared to fill up those vacancies with due regard to the instructions laid down in the Government circular, issued some time ago for adjustment of communal inequalities in Government offices either by promotion or by direct recruitment from outside ? If not, why not ?

**THE HONOURABLE MR. D. G. MITCHELL :** (a) I assume that the Honourable Member refers to superior establishment only. If so, the number is 79.

(b), (c) and (d). A statement furnishing the information is laid on the table.

(e) There are six assistants in the grade of whom one is a Muslim. As regards the second part, the required particulars are :

One Muslim graduate, one Anglo-Indian, Senior Cambridge, four Hindus of whom one is a graduate and three have not passed any university examination.

(f) There is only one post vacant and in filling it the Controller of Printing and Stationery will be guided by the standing orders on the subject.

*Statement referred to in reply to parts (b), (c) and (d) of question No. 99.*

Appointments.	No. of appointments.		Old scales or fixed salaries.	New scales or fixed salaries.	No. of persons appointed.		No. of Muslims holding appointments.		Remarks.
	Perma- nent.	Tempo- rary.			Old scale.	New scale.	Perma- nent.	Tempo- rary.	
Assistant Manager .	1	..	Rs. 300—20—400	Rs. 300—15—375	1	..	..	..	
Head Assistant .	1	..	200—10—250	175—10—225	1	..	..	..	
Accountant .	1	..	250—10—350	225—15/2—300	1	..	..	..	
Assistants .	7	..	80—80—100—5— 150—10—200.	80—5—160	6	1	1 (old scale).	..	
Assistant .	..	1	..	80—5—160	..	..	..	..	Vacant.
Clerks .	53	..	45—45—50—3— 65—4—85—4— 105—5—140.	40/40—5/2—80— 3—95.	50	3	11*	..	*Nine on old scale, one on special personal scale of Rs. 50— 160 and one on new scale.
Clerks .	..	4	..	40/40—5/2—80—3 —95.	..	4	..	..	
Clerks .	..	7	40	..	7	..	..	2	
Typists .	3	..	45—45—5/2—100	40/40—5/2—80	2	1	..	..	
Sircar .	1	..	25—1—35	25—1—35	1	..	..	..	
Junior Addressographer .	1	..	25—1—35	25—1—35	1	..	..	..	
	68	12			70	9	12	2	
	80				79		14		

RECRUITMENT IN THE CENTRAL PUBLICATION BRANCH AFTER TRANSFER.

100. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Will Government please state :

- (a) The total number of recruitments cadre by cadre made in the Central Publication Branch after its transfer from Calcutta to Delhi ?
- (b) How many of them are Muslims in each cadre ?
- (c) Whether due regard was paid to the legitimate proportion of Muslims in time of recruitment ? If not, why not ?
- (d) The respective qualifications and age of the men recruited ?
- (e) Whether the men recruited are the successful competitors in the examinations held from time to time by the Deputy Controller, Central Stationery, Calcutta, or they passed the Public Service Commission examinations ?
- (f) If the recruitment was not made by either of the methods indicated at (e) whether the vacancies were advertized in the newspapers inviting applications from outside people ? If so, in which paper and of what date ?
- (g) If not, on what principle the recruitment was based ?

THE HONOURABLE MR. D. G. MITCHELL : (a) and (b). I assume that the Honourable Member desires information in respect of appointments made by direct recruitment to the superior establishment of the Central Publication Branch. The required particulars are :

Five in the grade of Rs. 45—140 of whom two are Muslims.

Five in the grade of Rs. 35—80 of whom none is a Muslim.

Twelve in the grade of Rs. 40 of whom three are Muslims.

(c) There is no proportion of Muslims fixed by the standing orders but due regard was paid to the claims of minority communities. The second part does not arise.

(d) Government are not in possession of the information.

(e), (f) and (g). The majority of the men recruited had qualified in an examination conducted by the Deputy Controller of Stationery. The Central Publication Branch does not recruit men through the Public Service Commission. No advertisement in the newspapers was necessary as there were sufficient applicants and men working on the day-extra establishment from whom to select.

PROMOTION OF DAY-EXTRA STAFF IN THE CENTRAL PUBLICATION BRANCH.

101. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : (a) Is it a fact that several men recruited on the daily wage basis have been recommended by the present Officiating Manager of the Branch for placing them in the permanent clerical and assistant grades and have actually been

serving in those capacities ? If so, what are their names, age and qualifications ? Did they pass either of the examinations referred to at (e) of the previous question ? If not, do Government propose to replace these men by recruitment through the Public Service Commission ? If not, why not ?

(b) Is it a fact that the lifts to the day-extra hands referred to above have been given disregarding and superseding the claims of the temporary men serving for about five years on fixed pay ? If so, why were their claims disregarded and what arrangements Government propose to make for these temporary hands ?

(c) Is it a fact that the present Officiating Manager Mr. C. V. d'Eca is murmuring about the inefficiency of the whole staff to the higher authority ? If so, will Government state what is his standard of measuring efficiency ?

(d) Will Government please state the number of cases in which increment to pay has been withheld before as well as after Mr. d'Eca joined this office ?

(e) Will Government please state the length of service as well as qualifications of the affected persons whose increments have been withheld ? How many of them are Muslims ?

(f) Will Government please state whether specific charges were framed against the men concerned and explanations were called for from them before the increments were withheld ?

THE HONOURABLE MR. D. G. MITCHELL : (a) As regards the first and second parts, I am not prepared to disclose departmental recommendations relating to promotion. Two men recruited on a daily wage basis are serving in the capacities stated. The answer to the third and fourth parts is in the negative. As regards the last part, recruitment to the clerical staff of the Central Publication Branch is not made through the Public Service Commission.

(b) No. The second part does not arise.

(c) I have not heard the alleged murmurings ; the second part does not arise.

(d) and (e). Government are not in possession of the information in respect of the period prior to the appointment of the Officiating Manager, but there have been four such cases since he joined the Branch. Of these, two are Muslims, two are graduates and one an undergraduate. The service rendered ranges between five and ten years.

(f) No.

#### STRENGTH OF GAZETTED AND NON-GAZETTED STAFF, ETC., IN THE OFFICES UNDER THE CONTROLLER OF PRINTING AND STATIONERY.

102. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Will Government be pleased to state.

(a) What is the total number of the gazetted and non-gazetted staff both permanent and temporary, in the different offices under the administrative control of the Controller of Printing and Stationery including the Headquarters Office ?

(b) What is the total strength, permanent and temporary, borne in each cadre maintained by each of these offices ?

(c) What is the number of men of each community serving in each cadre, both permanent and temporary, separately ?

(d) Is it a fact that the minority communities, specially the Muslim community, are not properly represented in these offices ?

THE HONOURABLE MR. D. G. MITCHELL : (a), (b) and (c). A statement showing the information available is laid on the table. I have not the particulars for each cadre separately.

(d) I must leave the Honourable Member to form his own opinion.

*Statement showing the strength of the gazetted and the clerical staff of the offices under the administrative control of the Controller of Printing and Stationery as it stood on the 31st December, 1933.*

Office.	Total number.		Hindus.		Muslims.		Other communities.	
	Gazetted.	Non-gazetted.	Gazetted.	Non-gazetted.	Gazetted.	Non-gazetted.	Gazetted.	Non-gazetted.
Office of the Controller . . .	3	37	..	23	..	5	3	9
New Delhi Press . . . .	1	51	..	35	..	11	1	5
Simla Press . . . . .	1	30	..	13	..	14	1	3
Publication Branch . . .	1	78	..	60	..	15	1	3
Stationery Office, Calcutta (excluding Stationery Store and Reserve Stamp Depot).	3	142	2	120	..	20	1	2
Forms Store and Forms Press, Calcutta.	1	90	..	72	..	15	1	3
Calcutta Press . . . .	1	77	..	71	..	6	1	..
Forms Press, Aligarh . . .	1	47	..	39	..	8	1	..
<b>Total . . . . .</b>	<b>12</b>	<b>552</b>	<b>2</b>	<b>433</b>	<b>..</b>	<b>94</b>	<b>10</b>	<b>25</b>

## REPRESENTATION OF MINORITY COMMUNITIES IN THE SERVICES.

103. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Is it a fact that a Government circular was issued in recognition of the proper representation of the minority communities in Government service to the effect that every third vacancy in the Government offices should go to the minority community ?

THE HONOURABLE MR. M. G. HALLETT : Orders were issued on the 5th February, 1926, that the head of each office should specifically consider in the case of every third vacancy that occurs whether or not such vacancy should, having regard to the communal composition of the clerical staff of the office, go to a member of a minority community. A copy of these orders is available in the Library of the House.

## VACANCIES THAT HAVE OCCURRED AND BEEN FILLED UP IN OFFICES UNDER THE CONTROLLER OF PRINTING AND STATIONERY.

104. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : (i) Will Government please furnish a statement showing the number of vacancies that have occurred and been filled up since 1st January, 1930 to 31st January, 1934 in each scale in each office under the administrative control of the Controller of Printing and Stationery ?

(ii) Will Government please furnish statements showing information on the following heads in respect of the vacancies, referred to above, that have been filled up by

(a) Direct recruitment ?

(b) Promotion from among the permanent staff ?

(c) Promotion to higher grade from the temporary establishment ?

Name of Cadre. office.	By different communities.						Total.
	Hindu.	Muslim.	Sikh.	Anglo- Indian.	Indian Christian.		
Appointed by direct recruitment . . .	..	..	..	..	..	..	..
Appointment by pro- motion from perma- nent staff . . .	..	..	..	..	..	..	..
Appointment to higher scale from the tempo- rary staff . . .	..	..	..	..	..	..	..
Total . . .	..	..	..	..	..	..	..

(iii) Will Government please furnish a statement showing the initial recruitment including day-extra hands made from each community from 1st January, 1930 to 31st January, 1934 in the non-gazetted establishment—(including inferior establishment) in the different offices under the control of the Controller of Printing and Stationery ?

**THE HONOURABLE MR. D. G. MITCHELL :** The particulars asked for are not available and the collection of the details would involve an amount of time and trouble disproportionate to the result. An indication of the changes in the proportions of the various communities can, however, be obtained from the annual statements of communal composition of the clerical staff of the offices of the Government of India, copies of which are placed in the Library of the Legislature.

**INADEQUATE STAFF IN THE CENTRAL PUBLICATION BRANCH.**

**105. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ :**  
(a) Is Government aware that owing to the disbandment of the staff employed on daily wage basis with effect from the 1st March, 1934 a serious situation bringing the work of the office of the Central Publication Branch almost to a standstill specially in the despatch section has been created ?

(b) Is Government aware that only two clerks have been placed in charge of the maintenance of civil ledger containing heads of about 20,000 kinds of civil publications ?

(c) Is it a fact that 12 clerks are employed to maintain the ledgers of 5,000 kinds of forms in the Central Forms Store, Calcutta ?

(d) Is it a fact that the Controller of Printing and Stationery notwithstanding frequent insistence of the inadequacy of staff in the Central Publication Branch has all along adopted a step-motherly attitude towards the Central Publication Branch in the matter of increase of staff in comparison with the sister offices under his administrative control ?

(e) Will Government furnish a comparative statistics of the strength of the clerical staff at the Calcutta Forms Store and the Central Publication Branch ?

(f) Will Government state the respective total numbers of indents received by the Central Forms Store, Calcutta, Central Stationery Office, Calcutta, and the Central Publication Branch, Delhi, during the last financial year ?

**THE HONOURABLE MR. D. G. MITCHELL :** (a) No.

(b) and (c). The staff employed is substantially as stated by the Honourable Member, but the numbers of publications and forms quoted by him are not correct. I should add that the allotment of clerks for maintaining ledgers depends not on the total number of items in the ledgers but on the actual work involved in their maintenance.

(d) No.

(e) Central Forms Store—80.

Central Publication Branch—77.

(f) (i) Central Forms Store, Calcutta—17,316.

(ii) Central Stationery Office, Calcutta—18,289.

(iii) Central Publication Branch, Delhi—64,359.

I should add that the number of indents does not give a proper comparison of the amount of work involved.



DISCREPANCIES IN RESPECT OF PUBLICATIONS IN THE CENTRAL PUBLICATION BRANCH.

106. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : (a) Is Government aware that discrepancies in respect of 7,000 out of 12,000 items of publications have of late been disclosed in the ledgers of the Central Publication Branch ?

(b) Is it a fact that huge lots of valuable publications are still lying in packing boxes unopened in the corridors and gangways of the Central Publication Branch ?

(c) Were these publications taken into account in the stock ledger ?

THE HONOURABLE MR. D. G. MITCHELL : (a) I understand that discrepancies have been noticed but I have no information as to their nature and extent.

(b) Boxes containing publications intended for the wholesale section have not all been opened.

(c) Yes.

SLAUGHTER OF WILD COWS, ETC., AT MANJHA GUPTAR GHAT IN AJODHIA.

107. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is Government aware that the military authorities of the Grass Farm have issued orders for the slaughter of wild cows and bullocks at the sacred Manjha Guptar Ghat in Ajodhia (United Provinces) ?

(b) Is Government aware that this sacrilege has disturbed the religious sentiments of the Hindu community and several meetings have been held to show their strong feelings of resentment and disapproval at this action ?

(c) Is it a fact that the Deputy Commissioner, Fyzabad, has been approached by the Hindus and the slaughter was postponed at his intervention ?

(d) Is it a fact that the military authorities of the Grass Farm had engaged butchers from the Punjab for the slaughter of these animals ?

(e) Is it a fact that the Hindu public had to pay Rs. 3,000 as compensation for these butchers to the Grass Farm authorities ?

(For reply. see under question No. 108.)

SLAUGHTER OF WILD COWS, ETC., AT MANJHA GUPTAR GHAT IN AJODHIA.

108. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Has the attention of Government been drawn to the following resolution of the Working Committee of the Oudh Goshala Samiti, Lucknow :

“ Working Committee of the Oudh Goshala Samiti, Lucknow, is shocked to learn the order of the military authorities for killing wild cows in Manjha Guptar Ghat (Ajodhia) in utter disregard of the religious feelings of the Hindus and appeals to the Government to take early steps to prevent this sacrilege ”.

(b) Will Government be pleased to make enquiries in the matter and stop the Grass Farm authorities from slaughtering wild cows and bullocks at the sacred place of Manjha Guptar Ghat for consideration of the Hindu feelings ?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF:** With your permission, Sir, I will answer questions Nos. 107 and 108 together.

I have called for a report and will communicate the result to the Honourable Member in due course.

**THE HONOURABLE MR. HOSSAIN IMAM:** On a point of information, Sir. Would it not be possible to lay it on the table so that it may be seen by Honourable Members?

**HIS EXCELLENCY THE COMMANDER-IN-CHIEF:** With your permission, Sir, I will certainly do so.

#### MINIMUM CHARGE FOR RESERVED COMPARTMENTS OR RAILWAYS.

**109. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH:**  
(a) Will Government be pleased to state the names of the State Railways which have got the system of reserving second class and first class compartments on payment of a lesser number of fares than the carrying capacity of such compartments?

(b) Will Government be pleased to state the number of minimum fares charged from first and second class passengers for reserving compartments for such passengers?

(c) Will Government be pleased to state the number of minimum fares charged for reserving third class compartments by each of the different State Railways?

(d) Will Government be pleased to state whether all the State Railways have got an uniform minimum charge for reserving third class compartments? If not, why not?

(e) Is it a fact that certain railways issue notices refusing to reserve compartments? If so, are such notices valid and legal? Will Government be pleased to state under what law the railway can refuse to reserve only third class compartments even on payment of the full number of fares?

**THE HONOURABLE SIR GUTHRIE RUSSELL:** (a), (b) and (c). The minimum charge for a reserved compartment on railways generally is one fare for each berth in first or second class compartments and one fare for each seat in a third class compartment. The more important exceptions to this arrangement, as shown in the current tariffs on the State-managed Railways, to which I presume the Honourable Member refers, are as follows:

*Burma Railways.*—A first class compartment is reserved on payment of two fares less and a second class compartment of four fares less than the number of seats in the compartment.

Third class compartments are reserved on payment of fares less by one to 22 than the number of seats provided in compartments having from six to 90 seats.

*Eastern Bengal and East Indian Railways.*—A first class compartment of four berths is reserved on payment of three fares and a second class compartment of five berths on payment of four fares.

Third class compartments are reserved on payment of fares less by one to five than the number of seats provided in compartments having from eight to over 30 seats.

*North Western and Great Indian Peninsula Railways.*—A first class compartment of four berths is reserved on payment of three fares.

(d) No. Variations from the general practice in regard to the minimum charge payable for reserving a compartment are influenced by local considerations.

(e) Government are aware that railways have on occasions notified their inability to reserve accommodation on account of pressure of traffic. Government are not aware of any law requiring railways to reserve accommodation on demand.

#### CHANGE IN PROGRAMME OF CONSTRUCTION OF THIRD CLASS CARRIAGES.

110. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Is it a fact that the Railway Board through their present Director of Traffic have changed the programme of construction of third class carriages ?

(b) Is it a fact that at present the State Railways are only constructing big 40 and 60-seated third class compartments ? If so, will Government be pleased to state why have the Railway Board adopted such changed programme of construction of third class compartments ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) No.

(b) The answer to the first part is in the negative. The construction of third class carriages conforms to the standard designs and four compartments seating 52, 30, 20 and 12 persons, respectively, are provided in Indian Railway standard designs for bogie third class carriages. The second part does not arise.

#### LAVATORIES IN THIRD CLASS CARRIAGES.

111. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Is it a fact that the big third class compartments are provided with one small latrine meant for such a large number of passengers as 40 and 60 persons ? If so, will Government be pleased to state whether before constructing such bigger third class compartments with one latrine, medical opinion about sanitation was obtained ? If not, why not ?

(b) Is it a fact that such big third class compartments for 40 or 60 passengers are provided with only two inlets and outlets on the platform side ? If so, are Government aware that at stations where there is a big rush it is not possible for passengers, men, women and children with their luggages and kits to get in or come out through those two inlets and outlets ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) The answer to the first part is in the negative. Third class compartments to seat 52 passengers are provided with two lavatories. The answer to the second part does not arise.

(b) The answer to the first part is in the affirmative. With regard to the second part, Government consider two doors sufficient.

ADOPTION OF A UNIFORM SYSTEM OF CONSTRUCTION OF SMALLER THIRD CLASS CARRIAGES.

112. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Do Government propose to adopt on all State Railways a uniform system of construction of only smaller third class compartments of a maximum capacity of 20 passengers? If not, will Government be pleased to state the reasons for their refusal?

(b) Is it a fact that Government have taken to the construction of big third class compartments for the purposes of avoiding reservation of compartments by third class passengers? If not, why have they done away with the construction of smaller third class compartments which were prevalent in the past?

(c) Is it a fact that the State Railways have done away with the provision of roof lights in third class compartments and instead have provided scanty lights fixed inside the side-planks of the compartments? If so, are Government aware that such lighting arrangements have reduced the lighting in the third class compartments? If so, do Government propose to reintroduce the system of roof lighting in the third class compartments? If not, why not?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) and (b). No, I would refer my Honourable friend to the answer I have just given in reply to part (b) of his question No. 110. The small compartments provided are to meet the demands for reservation.

(c) The answer to the first part is in the negative and the second part does not arise. The answer to the third part is also in the negative but I would inform the Honourable Member that standard types of third class carriages are fitted with 11 roof lights which provide adequate illumination.

NUMBER OF BRITISH UNITS IN THE INDIAN ARMY.

113. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :

(a) Will Government be pleased to state the number of British units in the Indian Army at present? What was the number of such units before the war?

(b) Is it a fact that British troops are sent back to England after serving in India for a certain number of years? Will Government be pleased to state the period after which British troops are sent back home at present? What was the period after which British troops used to be sent back to England before the war?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : (a) I lay a statement on the table containing the required information.

(b) The answer to the first question is in the affirmative. The period of service in India for British troops varies according to the arm of the service, but is on an average about five years. This is the same as before the war.

*Statement giving the number of British units in the Army in India.*

Units.	Number.	
	1914.	1934.
Cavalry Regiments . . . . .	9	5
Royal Horse Artillery Batteries . . . . .	11	4
Field Batteries . . . . .	45	42
Ammunition Columns . . . . .	21	3
	(Brigade and (Divisional Battery).	
Light Batteries . . . . .	8	6
Medium Batteries . . . . .	27	{ 6
Heavy Batteries . . . . .		{ 2
Anti-Aircraft Battery . . . . .	..	1
Infantry Battalions . . . . .	52	45
Armoured Car Companies, Royal Tank Corps . . . . .	..	6
Light Tank Companies, Royal Tank Corps . . . . .	..	2
	173	122

The above excludes mountain batteries which are Indian units.

#### ANNUAL COST OF TRANSPORT OF TROOPS IN 1913-14, 1925-26 AND 1933-34.

114. THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH :  
 (a) Will Government be pleased to state the annual cost of transport of such troops from and to India during the years 1913-14, 1925-26 and 1933-34 ? Will Government be pleased to state whether any contract is made either by the Secretary of State or the Government of India with any shipping companies for the transport of British troops from and to India ? If so, will Government be pleased to state whether public tenders are called for giving such contracts to shipping companies ? If not, why not ?

(b) If tenders are called, will Government be pleased to state whether contracts are made annually or for a fixed number of years and in case of the latter will they be pleased to state the number of years for which such contracts are made ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Enquiries have been instituted and the result will be communicated to the Honourable Member in due course.

THE HONOURABLE MR. HOSSAIN IMAM : Again, Sir, as this is a very important question, we shall be obliged if His Excellency can see his way to lay the information on the table.

THE HONOURABLE THE PRESIDENT : The Honourable Member must know that laying of statements on the table involves cost to Government in the detailed publication of lengthy statements, so this sort of request should be made very rarely. If you have no objection, will you lay it on the table ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : Yes.

THE HONOURABLE THE PRESIDENT : Thank you.

**CONGRATULATIONS TO THE HONOURABLE SIR KURMA VENKATA REDDI ON HIS APPOINTMENT TO THE EXECUTIVE COUNCIL OF MADRAS.**

**THE HONOURABLE THE PRESIDENT:** Honourable Members, you all must have read the official announcement of the appointment of one of our colleagues, Sir Kurma Reddi, as Executive Councillor of the Government of Madras. (Applause.) All of us who have seen his work during the last few months that he has been in this Council will all unhesitatingly admit that this appointment is fully justified. (Hear, hear.) Sir Kurma Reddi has been only for a few months in this Council but I must say that he has been a real acquisition of strength to this Council. On many occasions we have had the benefit of his knowledge and experience in ventilating many important questions in this Council and we have always heard him with great respect and admiration. His elevation will be really an acquisition to the Madras Government and on behalf of you all and on behalf of myself I wish him all success in the new spheres of his activities.

**\*THE HONOURABLE SIR KURMA VENKATA REDDI:** Sir, I thank you and the Members of this House most heartily for the very kind words to which you have given expression. Sir, I shall carry away with me most happy recollections and reminiscences of this House. Your own vigilant eye, Sir, which knows where to look at the right moment, the discipline which you expect Members to maintain in this House and your great sense of impartiality will never be forgotten by me. Sir, I shall also take away with me what real statesmanship means when I remember the great Leader of this House. I had occasion to serve under him for two or three years, but that was from a distance of 3,000 miles. It is only when I came into direct contact with him that I knew what real statesmanship means, that which has been described as the capacity to control men and events. Next, Sir, I shall never forget the Leader of the Opposition whose humility, simplicity and patriotism are worthy of any Leader of Opposition. And lastly, Sir, I shall carry away with me the wonderful dignity of this House, worthy of the highest Legislative Assembly in this land. Sir, I thank you once again. (Applause.)

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**BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.**

**SECRETARY OF THE COUNCIL:** Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, which was passed by the Legislative Assembly at its meeting held on Wednesday, the 28th March, 1934.

**THE HONOURABLE THE PRESIDENT:** Honourable Members, I have already informed you by Circular No. XV, dated the 26th March, that I propose to suspend the Standing Orders and Rules of Business and to proceed

**\* Speech not corrected by the Honourable Member.**

## [The Honourable the President.]

with the Finance Bill this afternoon at two-thirty. I must state that it is with considerable amount of sorrow and reluctance that I have been compelled to adopt this step. I fully realize your disappointment in not having the full statutory limit of time at your disposal to study the Bill and to offer your comments on it. But we have now got to make the best of the situation and I know I shall have your full assistance and co-operation in finishing this Bill by tomorrow evening, if possible. I do not wish to break the continuity of the holidays as some of our Honourable colleagues have decided to take some rest during the forthcoming holidays. I therefore hope that you will agree to my suggestion. At the same time, I must inform the Honourable Member in charge of the Bill that it has now become a normal practice with Government for the last three years to rush a Bill of such importance and magnitude in this House at the eleventh hour. It is, if I am permitted to say so, scant courtesy to this House. This House looks with dissatisfaction and a certain measure of disappointment upon this policy of the Government of India. A little exercise of discretion and sound judgment in the allocation of work in the other House would have averted such disappointment and inconvenience to Honourable Members of this House. I notice that this could have been easily done inasmuch as there was no necessity to give precedence in the other House for the discussion of the Indian Tariff (Textile Protection) Amending Bill which could have conveniently waited for some days, and precedence ought to have been given to the Finance Bill in which the country is so much interested. I think it is my duty to point out to the Government that this state of affairs should not happen again, and if it does, Government will have to take the full consequences of the delay of the passage of the Bill in this House. I have made these observations as I feel it my duty to safeguard the interests and privileges of this House and we should have full opportunity in future of discussing important measures like the Finance Bill according to the Standing Orders, Rules and Regulations.

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### INDIAN TRUSTS (AMENDMENT) BILL.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, I move for leave to introduce a Bill further to amend the Indian Trusts Act, 1882, for a certain purpose.

It was in May, 1930, that the Government of Madras submitted a proposal for the amendment of section 20, sub-section (a) of the Indian Trusts Act, 1882, so as to include in it the debentures of the Central Land Mortgage Bank, Madras, thereby securing recognition for them as trustee securities. The Government of India consulted Local Governments in the matter adding that any amendment that was made should take the form of addition of the debentures of all Land Mortgage Banks to the list of trustee securities. Local Governments generally agreed. But on further examination of the case it was held that the question of extending the list of all-India trustee securities was one which could not be satisfactorily settled until the new constitution had been framed, and that, in the meanwhile, the Central Land Mortgage Bank, Madras, might apply to the Madras High Court for the recognition of its debentures as trustee securities under section 20 (f) of the Indian Trust Act. The Government of Madras were informed accordingly. They represented however that the Madras High Court declined to make a rule as required and requested that the decision might be reconsidered. It was as a result of a Resolution moved by a Member of the Legislative Assembly in

March, 1933, that Government had to look into the matter once more, and undertook as the result of that investigation to ask Local Governments whether it would meet their wishes if the concession was limited to securities guaranteed unconditionally by a Local Government both as to principal and interest if the amendment was expressed generally instead of being merely limited to Madras. They agreed, and it is accordingly proposed to add the following proviso to section 20(a) of the Indian Trusts Act, 1882, on the lines of the addition made by the Joint Committee on the Reserve Bank Bill to clause 17 (8) of that Bill :

“ Provided that securities, both the principal whereof and the interest whereon, shall have been fully and unconditionally guaranteed by any such Government, shall be deemed for the purposes of this clause, to be securities of such Government ”.

I am glad, Sir, that the desire of this House to have important Bills moved in this House is satisfied by this Motion.

The Motion was adopted.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Sir, I introduce the Bill.

The Council then adjourned till Half Past Two of the Clock.

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The Council re-assembled at Half Past Two of the Clock, the Honourable the President in the Chair.

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### INDIAN FINANCE BILL, 1934.

THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary) : Sir, I move :

“ That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, as passed by the Legislative Assembly, be taken into consideration ”.

Sir, I must apologise to this House for the shortness of the notice with which we have brought this important measure before you and the shortness of the time which it is possible to devote to its consideration. How far the time could have been extended by redistribution of business or in any other way I am not in a position to say,—but I can assure you, Sir, that the remarks which you made this morning will be brought to notice and given careful consideration.

Sir, I do not propose still further to encroach upon the limited time of this House by a lengthy introductory speech. The proposals in this Finance Bill were set before you a month ago by the Honourable Sir Alan Parsons in the general budget speech and I shall merely recapitulate what they were.

In the first place, we propose a redistribution of the taxes on tobacco because we found that owing to a discrepancy between the tax on imported



[Mr. J. B. Taylor.]

cigarettes and the tax on imported tobacco there was a certain diversion of duty which led to a loss of revenue owing to imported tobacco being used for the manufacture in India of cigarettes of a similar quality and appearance to those which would otherwise have been imported. Second, Sir, we proposed the abolition of the export duty on hides. Third, we proposed to reduce the import duty on silver and to effect a similar reduction in the excise on silver produced in the country. Fourth, we made various proposals for altering, generally in a downward direction, the rates on letters and telegrams, with a slight change as regards postal packets and similar printed material. I do not propose, Sir, to discuss these in detail, because, as I said, they have already been set out and the House is fully aware of the reasons which gave rise to them. I shall merely put before the House the alterations which have been effected in the passage of the measure through another place.

In the first place, Sir, the duties on tobacco and cigarettes have been modified upwards. There was a feeling that our proposals, which amounted to a reduction in the duty on imported cigarettes, with a slight countervailing increase in the rate on the tobacco which is imported for the manufacture of cigarettes in this country, would operate to discourage the growth or production of higher qualities of tobacco in India. For this reason, Sir, Government have accepted amendments which have had the effect of raising the duty on imported tobacco which is used for this purpose and similarly to increase the duty on imported cigarettes so as to redress the discrepancy which existed before the Bill was introduced.

The second change, Sir, is a very minor one. We have left the initial rate on books, patterns and sample packets at nine pies in the Bill, but have left the additional charge for further amounts unaltered at six pies. In the Bill as originally introduced the rate was nine pies flat for every five tolas or fraction thereof. The reason for raising this charge was primarily to prevent the abuse of this form of remittance through the post by diverting matter which ought to have been carried at the higher letter or postcard rate into the lower rate available for printed matter. Therefore it was merely the initial charge which was important and Government were prepared and have reduced the rate for subsequent increases to the former level, that is to say, to six pies.

These, Sir, are the two changes which have been effected in the Bill in its passage through the other House, and I will not delay the House further, Sir, but recommend this measure to their consideration.

**THE HONOURABLE THE PRESIDENT:** Debate will now commence on the Finance Bill. At about four-thirty I will adjourn the Council for 20 minutes for tea; and thereafter the Council will sit late in the evening till the consideration stage of the Bill is passed.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, we on this side of the House are very thankful to you for voicing our feelings about the scant courtesy shown to the House by bringing such an important measure all at once without giving us any time for preparation. Sir, the Government always shows the same attitude to this House and it is for us through you, Sir, to press our rights and privileges, and unless we do so the Government will not show the regard that ought to be shown to this House. It was only the other day in the Assembly when the Tariff Bill was going to be referred to a Select Committee that a Motion was made from the Opposition

benches that the time limit for the submission of the report of the Committee should be extended from ten days to, I think, three weeks. The Motion was carried against their wishes and they asserted their right. What was the result? The result was that the Leader of the House came in for an extension of time after a few days. It was only last night that a closure Motion was moved from the Government benches and carried in the other House. The Assembly people asserted their rights and the voting was again taken. No objection was made and no less than ten or twelve Members spoke after the Motion was actually carried. So, Sir, it is for us to assert our rights if we want that the Government should at least show the same courtesy to this House that it does to the Lower House.

Sir, it is my painful duty to lodge a strong protest against the Finance Bill that has been placed before us because it is one of the last finance measures of Sir George Schuster. Year in, year out, we find proposals for fresh taxation and the continuance of those taxes that were levied once as an emergency measure. The House will remember that it was in 1931 that the Government introduced certain taxes as an emergency measure under special circumstances for 18 months. Then it was considered that after 18 months the country would be relieved of them. The Honourable the Finance Member when introducing those taxes laid stress on three points. Firstly, Sir, he said that he wanted that the responsible Minister of Government should have a balanced budget when he took over charge. The second point on which he laid stress was that the credit of India should be high in the eyes of other countries. And thirdly, Sir, he said that the measures for taxation should fall equally on all classes without distinction. With those objects, Sir, he levied a surcharge of 25 per cent. side by side with the salaries cut of ten per cent. But, Sir, what we find is that last year the salaries cut was reduced by half—that is, five per cent. was restored without any change in the surcharge. It was but in the fitness of things that this year the Government ought to have brought in and relieved the country of half the surcharge if not the whole of it after the restoration of five per cent. of the salaries cut, because it was levied on the same understanding. But we find that it is going on, not for 18 months but for two and a half years and we are asked to vote for another year. Sir, this teaches us a lesson that, however temporary a measure Government may introduce, so far as financial measures are concerned we should not believe in the promises of the Government. It may be a temporary measure for the time being but it is very difficult to get rid of it as time goes on.

Sir, if you look at the budget from the beginning to the end you will not find any constructive measure in it. So much so that no consideration has been paid at all to lightening the burden of these taxes on the masses at any point. We know, Sir, that India is an agricultural country and how much the masses have indebtedness. Nothing has been done, in spite of all the pressure we have brought to bear year after year, to relieve the masses from indebtedness. Sir, whenever we bring forward measures for the improvement of the nation-building departments, the reply comes that we are short of funds. It was only the other day that I took up a scheme of the Leader of the House, that is, an Advisory Imperial Council on Co-operation. The scheme was placed before the Conference of Registrars but in reply we found that the Government was going to take the opinion of the provinces and unless there are funds provided there is no hope of its being taken up. We find the same thing, Sir, today in answer to a question of one of my colleagues about the Central Board of Sanitation. This scheme is also hanging from a long time

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

on account of financial stringency. So, Sir, whenever the question of improving nation-building departments comes up, we are told blankly and plainly that Government has got no funds. But for the schemes which Government wants to carry out the funds come in and if they do not, fresh taxation is imposed on us for the purpose.

Sir, the only relieving feature, if it can be called so, in the Finance Bill is the proposal for the reduction of three pies in the letter postage, for which we are very thankful to the Honourable Sir Frank Noyce, whom we find sitting in front of us. But, Sir, that scheme in itself has been nullified on account of the fact that the weight of the letter on which a one-anna stamp will be fixed has been kept at half a tola. With this weight, I am sure that the number of letters will be very small indeed. For a letter weighing two and a half tolas we are required to put a stamp of one anna and three pies, while for a letter weighing half a tola we are required to put a stamp of one anna. I do not see the logic or the reasonableness of the proposal at all. If the weight of these letters is to be increased from half a tola to a tola, I am sure people will utilize it more and the Government will be benefitted by the increased income. Sir, when the postage rates were increased, some of the Members sounded a note of warning that the income would be reduced and I am glad to find that the Government has realized after two years that the same has proved true and the income on letters has been reduced. Today I again sound the same note of warning to the Honourable Member that if the weight of these letters is not increased from half a tola to one tola, the increase in income will be only nominal.

The next speciality of the Finance Bill is the taxation on *swadeshi* industries, namely, sugar, matches, and tobacco. This is a novel way of taxation so far as sugar is concerned. We do not grudge if Government come forward and tax the profits of a company. But when Government come forward to tax the production of a factory which is not a luxury but a necessity of life, I must submit that it is a novel way of taxation. Sir, it was on a definite move of the Government as to the tariff levied on the import of sugar that so many factories have been started two years ago. Out of the 135 factories that are existing at present in India, as many as 61 were started this year and most of them have not worked for a full season when we find that they have been heavily taxed. This tax which is levied on the production of a necessity of life will be borne, I am afraid, by the consumers and the cane-growers side by side with the factory, and therefore I protest most strongly against it.

Then, Sir, a heavy tax has been levied on matches. This tax will hit the poorest of the poor in the country because the consumption of matches by the lower middle class is more than 75 per cent. We already find in the market that the price of a match box has been doubled. The tax has been introduced because Government are going to give Rs. 2 crores to Bengal. Sir, I once more protest against the policy of the Government in this matter. We are aware that the Finance Committee of the Round Table Conference considered the question of taxation of the match industry in India and this was particularly reserved for the Finance Minister in the reformed Government in order to give relief to all provinces on account of the heavy expenditure that the provinces will have to bear for the introduction of the new reforms. But Government are levying this tax at a time we do not know when the reformed constitution will be introduced in the country, if at all.

Sir, the other provinces have shown a balanced budget, made cuts and increased taxation on themselves, and for that reason they are suffering a loss

by not getting anything from the Government of India. With your permission, Sir, I will just quote some figures to show what is the incidence of taxation in each province which will prove this assertion of mine. The incidence of taxation per head in the provinces is as follows :

Bombay . . . . .	6.5
Bengal . . . . .	1.8
Madras . . . . .	3.5
United Provinces . . . . .	2.4
Punjab . . . . .	4.6
Central Provinces . . . . .	3
Bihar and Orissa . . . . .	1.3
Burma . . . . .	6.3

Bengal comes next to Bihar as the lowest taxed province. So, Sir, if Bengal has not increased its taxation or if it has not reduced some important posts like Executive Councillors or Ministers as other provinces have done, why should other provinces suffer for this ?

Then, Sir, I find that no reduction has been made in the salt tax. This is also a tax which hits the poorest of the poor. The agitation for the reduction or even abolition of the salt tax has been going on for the last not less than two decades. But we find that no reduction has been made in this tax too.

Sir, since the introduction of the Montagu-Chelmsford reforms 14 years ago, the Government expenses have gone up very much and no serious effort has been made to reduce them. Unless that is done I am sure that taxation will not help in balancing the budget. The law of diminishing returns must come into play and I must say that this has already commenced so far as the import and export figures are concerned. The country's total revenue normally is Rs. 70,84 crores. The abnormal taxes levied during the last five years amount to Rs. 50 crores. This is a very serious position especially in view of the fact that the country's income, both agricultural and industrial, has gone down considerably. If you will permit me, Sir, I will show from the Government Review on certain items of foreign trade of 1933 that India has not been able to recover the price that other countries have been able to do and I do not see why Government have not made serious efforts over it. The report says on page 7 :

"The foregoing table also brings into relief the general heavier fall in the prices of agricultural produce than in those of the manufactured goods. India being preponderantly an agricultural country, this greater fall has naturally affected the income of the agricultural population adversely".

The decrease in agricultural price between 1928-29 and 1932-33 is about 47.5 per cent. So the Government ought to have made every effort to raise the prices of agricultural produce in this country. For this it was very necessary to delink the rupee. We have been crying for the last several years that the Government should delink the rupee from sterling, and I do not know why they have not given a trial to this view which is held by all classes and sections in India.

Sir, these are some of the destructive criticisms which I have to offer.

3 P.M. A question might now be put from the other side as to what suggestions I have to offer for the balancing of the budget without increase in taxation. It is primarily the duty of those who occupy the Treasury benches to put constructive suggestions and it is the

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

duty of the Opposition always to criticize them. But to help my Honourable friend I will throw out some suggestions which if they like they can adopt. Sir, at the very outset, so far as the levying of import duties is concerned, the Government should give up the idea of imperial preference. We find, whatever the import duty levied may be, that there is always an idea at the back of it of imperial preference. So long as that idea persists I am sure there will not be much relief in this direction. The country has been pressing for an export duty on gold. I do not know why the Government has allowed so much gold to be exported without giving any serious consideration to the levy of a duty on it. Then we want that the Government should levy duties on the import of vegetable ghee and even a heavy duty on the import of textile goods. But that is not being done. Sir, we also want taxes to be levied on all kinds of import of agricultural produce, wheat, rice and anything that is being largely produced in India, to put a stop to any import from outside. I admit that a duty has been levied on wheat but we find that the Bill to that end is brought in from year to year, which shows that Government is not convinced that this commodity requires proper protection. Then, Sir, India is a poor country and the salaries that are paid here have no parallel in any other country of the world. It is very necessary for India that a heavy reduction in salaries should be made in the case of those already serving and the introduction of new scales for new entrants should be made at the earliest possible time. This saving is very necessary and unless it is done I am afraid our expenses will always be going up. Resolutions have been passed in this House, in the Assembly as well as in Provincial Councils, and it was with the greatest difficulty that a cut of ten per cent. was made, but again five per cent. has been restored. Then Indianization of the services is very necessary and it should be taken up as rapidly as possible. I admit that Government has turned its attention towards this but the speed is very slow and if that speed is maintained it will take centuries before the scheme comes to fruition. Only the other day a Member put some questions in the Assembly about the Political Department as to the number of Indians employed in it. The answer was 151 Europeans and only 15 Indians. It was said that the accepted policy of Government was to give 25 per cent. of the annual vacancies to Indians but we find that since 1926 the number of Indians has only been increased by four. The number of Indians then was eleven and during these last eight or nine years only four more have been appointed in spite of the accepted policy of giving 25 per cent. of vacancies to them. At that rate of Indianization it will take centuries before the services are Indianized. It is very necessary in the interests of economy if nothing else. Then finally, it is also very necessary that the Indianization of the army should be taken up at greater speed than at present. We are all very thankful to His Excellency the Commander-in-Chief for reducing the expenditure to a certain extent, but in this year's budget we find that an increase of Rs. 50 lakhs has again been made over the last budget. When we ask that more Indian troops should be engaged, we are told that at the time of the Mutiny it was decided that the ratio of European and Indian will be put at one to two, and that same ratio in spite of so many inventions and discoveries is being kept up to date. But when we demand that military expenditure should be brought down to the pre-war level we are told that it is not possible. When one thing is possible why not the other and especially in view of the financial position of the country? With your permission, Sir, I will give some figures to show what the expenditure on the army in this country is in comparison with other countries. In India we are spending 33 per cent. of our revenue on the Army Department. In Great Britain it is 23·6 per cent. ; in Australia, 3 per cent. ; in Canada, 3 per cent. ;

in New Zealand, 5 per cent. ; in South Africa, 3 per cent. ; and in the Irish Free State, 6 per cent. You will see that we are spending more than eight to ten times what other Dominions are spending for the maintenance of their armies in proportion to their revenues. Sir, I believe that unless a substantial cut is made in the Army Department, there will be no relief to the tax-payers.

With these observations, Sir, I close my remarks.

THE HONOURABLE MR. E. MILLER (Bombay Chamber of Commerce) : Mr. President, I should first of all like to associate myself with the remarks made by you, Sir, during the early part of our proceedings this morning, when you commented on the short time that has been left to us to deal with this important Bill. I am sure that you have the full support of this House behind you while I am also confident that coming from you, Sir, your observations will receive from Government the consideration they deserve.

In view therefore of the limited time at our disposal, my remarks will be brief and I propose to refer only to those matters which more directly concern the Bombay Presidency, of which I have the honour to be a representative.

A good deal has been said already about the Bengal jute tax and the inequity of the match excise having been imposed in order that the Government of India may remit half the jute excise to Bengal. Too much has been said in fact and a good deal would have been better left unsaid ; I particularly regret the attitude adopted by some people over on the Bengal side towards Bombay. The correct view to have taken was well expressed in a recent issue of *Capital* for I think most speeches from Bombay have made it quite clear that they do not grudge Bengal their windfall. On the contrary, sober Bombay opinion admits the urgency of Bengal's need for financial assistance and the equity of their claim to half the jute tax, but when all provinces in differing degrees have urgent financial problems, which must be solved if an all-India federation is to be successfully inaugurated, we protest most strongly against an all-India taxation being imposed at the present stage for the benefit of one unit only. I would assure my Bengal friends that Bombay's attitude would be precisely the same if the province selected for the Government of India's favours had been any other than Bengal.

I have been down in Bombay during the past week and there seems to be a very strong feeling in all circles there—official, non-official, Indian and European—at the attitude up here towards Bombay. I think they have some reason, for having read the press accounts of last week's proceedings in the Assembly, I am left with the feeling that the Honourable the Finance Member is not bothering very much about Bombay these days. His advice is to put on more taxes as he cannot dispense *largesse* ! Now, Sir George Schuster knows well enough that Bombay is taxed up to the hilt, more than any other province, and he has in fact only recently expressed admiration at the extent of her retrenchment and economies during the past two years, so this so-called advice of his cannot be taken seriously. Sir George also knows Bombay is not asking for *largesse*, but merely that if all-India taxation is now imposed, the proceeds should be apportioned in such a way that all provinces would benefit in proportion as they contribute to the taxation.

Such remarks as the foregoing, when they come from my Honourable friend the Finance Member, are resented by Bombay. Now the Honourable the Finance Member might take up the attitude that while a good deal of criticism has been made since his budget speech at the various new measures imposed, no really constructive suggestion has been made as to how otherwise the Government could meet their liabilities. Well, with all due deference

[Mr. E. Miller.]

I should like to suggest how all their difficulties in this connection might have been overcome and I made a similar suggestion a year or two ago. It is one that possibly will not meet with the approval of every section of this House, but if carefully examined from every point of view, I honestly believe it would have been the best policy to have adopted and it would have been felt the least by all classes, even the poorest to whom I would always like to give the first consideration.

I refer to the salt excise and I cannot believe the possibility of increasing this was not considered by the Government of India. If so, why was it rejected for I am convinced that if they had taken their courage in both hands and doubled this, they would have been able to meet all contingencies, including the remitting of half the jute excise. Not only so, but such a measure would have enabled them to say give some relief in the restoration of pay to Government employees and to the general public in the income-tax surcharge. What a wonderful reception the Government would have received had they submitted such proposals and what would it have cost the consumer? I believe I am right in saying that to even the poorest family it would have meant something under four annas per head per annum and even suppose we double that figure which would, I believe, be a very exaggerated estimate, does any one claim that an extra ten pias per month would incur any really severe hardship to the poorest members of the Indian community. I cannot believe that anybody would seriously make such a claim? I believe that such a step will have to be taken by the Government of India sooner or later, and I submit that the present financial year of 1934-35 was the time to introduce it. Government may say that for political reasons the time was not opportune, but if such a plea is put forward I can only say it will leave me at any rate entirely unconvinced.

Now, I must again refer to the question of the transfer of trade from Bombay to Kathiawar ports. Until quite recently all the representations Bombay have made to the Government of India appear to have received scant attention and we cannot help but feel that it is only because they now realize the heavy losses that central revenues are sustaining, that some action seems to be contemplated. The Honourable the Finance Member in the early hours of this morning in another place, promised an enquiry and we are grateful for that, but I would stress again that prompt action is urgently necessary and would also draw attention to the fact that it is not only the ports of Bombay and Karachi that are intimately concerned, but it is also *the presidency's* most pressing problem. We shall watch with interest therefore what transpires, for apart from anything else it will serve to shew to what extent the Government of India are merely self-interested and to what extent their concern is really for Bombay.

That, Sir, is all I propose to say on this occasion.

THE HONOURABLE RAJA RAGHUNANDAN PRASAD SINGH (Bihar and Orissa : Non-Muhammadan) : Sir, before the Bill is finally passed, I take this opportunity of congratulating the Honourable the Finance Member and also the Government of India as a whole for coming forward with the generous and prompt help for the distressed people of the province to which I have the honour to belong. The huge task of reconstruction of the province and also to relieve the sufferings of the distressed was beyond the resources of the provincial Government, however great efforts it might have made to meet the situation. In coming to the Bill itself I cannot reconcile myself to the heavy burden of taxation that has become a permanent feature of the annual budget and the Finance Bill. Strenuous efforts have yet to be made to

substantially reduce the cost of the top-heavy civil and military administrations of the country. There is no other Government in the world whose services are paid such princely salaries as those in India. The passage concessions and other concomitant concessions granted to the services at a time when the price level was abnormally high is being continued for the imperial services even when the price level has practically come down to pre-war level. Due to the fall in prices the reduced scales of pay for the services under the control of the Government of India have been introduced, but the mere introduction of new scales will not bring in substantial reduction of expenditure unless steps are taken to enforce compulsory retirement after 25 years' service for all classes of officers, imperial, central or subordinate but with few exceptions. Then the military expenditure in India is beyond any proportion to her total revenues. There is no civilized country in the world where such a large standing army is maintained at a cost of about 33 per cent. of the total revenues even in times of peace. India does not require so big an army for either her internal disturbances or even in the contingency of a foreign invasion. During the last European war every country had to face that contingency and they did meet the situation.

Sir, as a result of the system of taxation under the head "Income-tax," capital is becoming shy and industrial development is being retarded. Sir, there is nothing for us to gloat over the cheap money market for raising loans at cheaper rates. Look at the other side of the picture. Owing to heavy income-tax, super-tax and surcharge, capital is not flowing to the field of industries. Capitalists do not wish to risk their capital in industrial concerns as they know that if they are successful, most of their income will go to the State coffers; on the contrary if he is unsuccessful, he will lose all his capital and will be a ruined man. The policy of income-tax should be revised so that capital may not be shy for industrial development of the country. Then, Sir, the surcharge levied on all taxes as an emergent measure requires serious consideration. I would request the Government to consider seriously whether there is any other country where a poor man's needs are so much taxed? I do not say for a moment that the army is not required or highly paid officers are not required. They are essentials of good government but it does not mean that the people should be crushed under the grinding wheels of taxation both direct and indirect for keeping a machinery most unsuited for her people at the present moment.

Sir, in our childhood days we were taught about the benefits of British rule and amongst them we were told that cheap postage and cheap communication by land and water are the main benefits. Sir, owing to the increase in postal rates by about three times and the corresponding increase in railway fares, ordinary masses have begun to doubt the same. Let Government ponder over the matter and do what is needful.

Sir, with these words, I resume my seat.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan):** Sir, the Finance Bill continues to maintain the very high level of taxation which was found necessary two years ago.

The rates of income-tax and super-tax remain unchanged and, in spite of these abnormal rates the income from this source has not increased. The blighting effect of this level of taxation on the trade and commerce of the country is obvious. The capitalists are shy of investments and the vaults of the banks are filled with idle money. This is partly, no doubt, due to the depression and the shrinkage in our import and export trade, but it is equally due to the high rates of income-tax and super-tax. I should also refer to the



[Mr. Mahmud Suhrawardy.]

extraordinary step taken in 1931 in lowering the level of income for the purposes of taxation to Rs. 1,000 per year. The former level was Rs. 2,000 per annum and the result of the change has been harassment and unending trouble to the petty traders and the small shop-keepers. I should like to know, Sir, what income is derived by the Government from the assessment of income between Rs. 1,000 and Rs. 1,500, and between Rs. 1,500 and Rs. 2,000, and I should like to have some information as to the number of assesseees in each case, and the cost of additional staff necessitated for the purpose of collecting taxes on their income? I think there is a strong case for exempting these classes of persons and raising the level of income-tax to the old standard of Rs. 2,000.

Sir, there are some changes proposed in the postal and telegraph rates which I want the House to examine. The postage rates of letters not exceeding half a tola in weight are reduced to one anna, but I am not sure whether this will be a great boon to the public and the masses, but even if it were, I would have liked to see this reform put off and the price of postcards reduced to half an anna, and that is the more urgent need and will be of direct help to the poorest class of people who use the post offices in the remote villages of our country. What does it matter to the people of remote villages when you can talk from one hilltop to another hilltop, from Delhi to Simla, from Simla to Calcutta or from Poona to Madras, when you cannot give relief to the people of distant villages who are unable to pay the price of three pice for a postcard in order to obtain the anxious news of their distant relatives? Further, Sir, I very much fear that the reduction in letters further postpones the day when the reduction in postcards can be expected.

I find, Sir, that the duty on cigarettes and on unmanufactured tobacco has been partly increased beyond the provisions of the original Bill by an amendment in another place. These are articles of luxury and there will be no sympathy for any one who complains of these high duties. I understand however, that the object of the increased duty is to encourage the use of Indian tobacco. If it is a protective measure, it would have been much better if a tariff enquiry had made a survey of the production and the industry and the Government would have acted thereafter. I still hope that both the Government of India and Local Governments will examine the problems relating to tobacco cultivation and that the Imperial Agricultural Research Council give its help in improving the cultivation of tobacco.

Sir, this is the last Finance Bill of the Honourable Sir George Schuster and though his task has not been a pleasant one, he has tried to do the best he could for the country. We are grateful to him and hope that his successor will be more fortunate in reducing some of his burdens.

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR** (Central Provinces : General): Sir, in examining the taxation proposals of a modern country, I believe I would be right if I examine those proposals in accordance with certain principles of taxation expounded by certain political economists which I remember to have read in my college days. There are three factors, Sir, which govern the taxation policy of a modern civilized Government.

The first is that it must lessen, so far as possible, the burden of taxation on those least able to bear it. The second that it must remove influences which retard steady development of business and industry. The third that the permanent tax system should be designed not for one or two years, nor for the effect it has on any given class of tax-payers, but should be worked out with regard to conditions over a long period and with a view to its ultimate effect

on the prosperity of the country as a whole. Judged by these standards, neither the present policy nor the policy followed for the last four or five years seems to have benefitted any particular class in this country. I say so, Sir, with all the emphasis at my command because I find the merchant princes in Bombay groaning under the heavy burden of super-tax and surcharge, the poor people groaning under the tax on salt and kerosene and the middle class groaning under the tax which has been lately levied on them—I mean the income-tax on incomes ranging from Rs. 1,000 to Rs. 2,000. So, if I follow correctly the taxation system of the Government of India I submit nobody has escaped the burden of serious taxation which has created this depression among the masses as well as the classes of this country.

Sir, let me examine whether the taxation proposals are such as not to increase the burden of those people who belong to the poorer classes. Let us take, for example, the salt tax and the tax on kerosene. My Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra has just told us that the agitation about the salt tax has been going on for a very long time, it was the bone of contention during the Gandhi-Irwin negotiations, and some concession was given when the Gandhi-Irwin Pact was concluded. I do not say that the Government have no right to tax. My point is that the Government should tax in such a way that the poorer as well as the richer classes do not feel the burden of the tax. I should like to quote an authority here on the salt tax. The Right Honourable Mr. Ramsay MacDonald in his book on "The Government of India" at page 127 says :

"In India, where the Government is a bureaucracy, even this theoretical justification for the salt tax does not exist. If the Indian salt consumer had all the wisdom necessary to come to sound conclusions upon the cost of his government, he has no power to alter it by one farthing. The salt tax is exaction and oppression; and if the people understood it, it would only breed discontent."

Now, Sir, the second factor which I stated just now that Government should take into account in framing their taxation proposals is also neglected while taxing the people of India. I mean the principle whether the taxation proposals really stimulate business and industry. The taxation on machinery, I submit, does not in any way stimulate the infant or nascent industries of India. They retard to some extent their growth. So, I submit that the taxation policy which has been followed and the additional taxes that are levied every year upon the masses as well as the classes do not in any way speak to the sound financial policy of the Government of India. As I said in my budget speech, the budget may be a surplus budget on paper, but if you consider the position of the masses as well as that of the middle class and the rich merchant princes of India, during the last four years, I submit that your proposals have in no way helped to relieve their suffering. Not only that, but your proposals have made the situation worse and unless and until you take into consideration the economic depression and the decrease in the purchasing power of India and frame your proposals accordingly, you cannot have a sound budget and your policy of taxation based on sound lines. You go on taxing the people every year. My friend has just told us that the normal taxation capacity is Rs. 70.84 crores and the abnormal taxes that have been levied during the last five years have gone up to Rs. 50 crores. You have reached an abnormal stage and still you do not at all take into consideration the sufferings of the masses as well as the classes. My submission is that unless you pay serious attention to the position created in India during the last three or four years, an unfortunate accident may happen when you and

[Mr. Vinayak Vithal Kalikar.]

I will both have to suffer. It is very fortunate that we do not see any agricultural discontent. I wish that the agriculturists should not resort to any direct action. You see that the prices of agricultural produce have gone down nearly to 25 or 30 per cent. but your proposals for additional taxation have gone up by 50 to 75 per cent. My friend has made some constructive suggestions, but I am sure, however well-minded His Excellency the Commander-in-Chief or any other Member of the Executive Council of the Government of India may be, it is not in their power to come to our rescue unless they are responsible to us. It is the present system of government which is responsible for this heavy taxation, and we, on this side of the House, are fighting for a change of that system. We desire that the Honourable Members of the Executive Council should be responsible to the Indian Legislature, and when that day comes, we certainly, on this side of the House, will support any sound and reasonable taxation proposal.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Wait for that day !

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : I am waiting for that day, and I pray God that the day may come soon.

My friend has spoken about the army expenditure. He has given figures to show what proportion the army expenditure bears to the general revenue of other dominions like Australia and Canada. That matter was thoroughly discussed here the other day, but unfortunately he was not present on that day. I may submit that even with the explanation given by His Excellency the Commander-in-Chief on that day, we are still not satisfied that the army expenditure cannot be decreased as we, on this side of the House, desire. I have no quarrel with the Government of India about the army expenditure, because the Government of India had laid their case before the Tribunal and the Tribunal did not accept it. If the Tribunal had accepted that claim, our army expenditure would have gone down. My quarrel is with the British Government, not with the Government of India or His Excellency the Commander-in-Chief. Though I am not an expert, I have read what experts have written, and I submit that such a large army is not necessary for India. If it is at all necessary it is necessary for imperial purposes and not for Indian purposes. And if the army is maintained, as is admitted by some military experts, for imperial purposes, why should poor India especially in these conditions of depression bear the cost ? The other day I read in the papers that the Right Honourable Mr. Winston Churchill took the Secretary of State to task for giving Rs. 1 crore and 78 lakhs from the British Exchequer to Indian revenues, and the two grounds he mentioned in his attack on the Secretary of State were that there was a depression in Britain and that the demand was made simply to oil the wheels of the White Paper. Putting aside the other question, I would ask him whether the depression exists in India or not, whether there is unemployment in India or not ? Unfortunately there is no bureau here to maintain figures of unemployment amongst the educated classes or even the uneducated classes as there is in England. But look at our young men who having obtained the necessary university qualifications find it difficult to find employment to maintain themselves. And look at the poor condition of the agriculturists. Can not Mr. Churchill imagine the bad plight of India ? He is careful about the depression in Great Britain, but in asking the Secretary of State not to pay the contribution because of the depression at home I wish he might have taken into consideration the conditions in India as they exist today.

Now, Sir, my Honourable friend Mr. Mehrotra has spoken about the top-heavy expenditure of the Government on the civil side and the necessity for new scales of pay. I do not want to go into details but I may assure him that however well-minded the Government may be it is not possible for them to do anything because they have to take orders from Whitehall and not from us. When they take orders from us they will be the first to come forward with measures of retrenchment and with certain reasonable taxation proposals which we will all be able to support and they will then be able to show you the results that you expect.

Sir, it is a hard job to talk of the taxation proposals in detail. I will not say anything of the sugar and match taxes as those Bills will come up later and will give us the opportunity to speak on that then. But I would like to refer to one thing and that is the gift of Rs. 2 crores to Bengal and Bihar. I see my Honourable friend Mr. Hossain Imam staring at me. I have nothing to complain of. I am glad that they have got it, but I am opposed to the principle of giving to provinces like this when your own finances are not in a sound position. In fact, if the taxes on sugar and matches had not been introduced you would have been in deficit. So I submit that your budget is a deficit budget, and until you had put your own house in order you had no right to give this amount to Bengal and Bihar. You have set a very bad example. My province is purely or mainly agricultural. For the information of this House I may state that about five years ago the income of my province was Rs. 6 crores. It has come down now to Rs. 4 crores. So there has been a drop of Rs. 2 crores in the income of the province, and I may tell this House that the Government and Legislature of my province are so very careful about expenditure that they have reduced it to such an extent as to show a balanced budget this year also. But at what cost? At the cost of curtailing useful activities in the nation-building departments. They knew that if they had a deficit budget and appealed to the Government of India the Government of India would not have come to their assistance. But now there is a precedent. As my Honourable friend has shown just now, the incidence of taxation in my province is three, and if that province shows a deficit in future I think a precedent is laid down and my province will get something. I congratulate my Honourable friends for having got that money, but I warn the Government of India that it is a bad precedent. And you have given that money not only when your own house is not in order but by taking money from the poorer classes through the match tax. All the provinces in India have to suffer so that Bengal and Bihar might gain. I cannot follow the reasoning or the reasonableness of the proposal. We do not grudge giving help. We have not grudged you giving relief to Bihar; in fact we, on this side of the House, have urged upon you to give more. But our request to the Government is that you should seriously consider the present economic depression in India and after giving full consideration to the paying capacity of the taxpayer, frame your taxation proposals, so that the general taxpayer should not feel the burden of taxation.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN** (North-West Frontier Province: Nominated Non-Official): Sir, it is absolutely useless now for anybody to discuss the Finance Bill at this juncture as there is only a limited time of a few hours at our disposal to discuss it. It is a decided factor that the Bill is going to be an Act and nothing on earth can prevent it from becoming a law after the lapse of a few hours. I do not want to say much as I have fully dealt with it at the time of the budget discussion. At the present moment I would only ask the Government to show

[Major Nawab Sir Mahomed Akbar Khan.]

some consideration for reduction in taxation. There ought to be some relief granted to the taxpayer but to our great disappointment the taxpayer is being burdened with fresh taxations everywhere, without the least consideration being shown towards its relief in some way. This every year increase in the burden of taxation is sure to break the back of the taxpayer resulting in wide-spread poverty, indigency, destitution and pauperism throughout this country. The Government ought to consider these facts which are casting their shadows on the wretched taxpayer already. I cannot believe that the Government is not cognizant of the distressful economic condition prevailing in this country and I cannot find language in which to appeal to them.

As regards the concession of the one-anna stamp on an envelope, I do not consider it a concession at all but regard it as a trap laid to effect an increase in the postal revenue as it will be hard for the writer of a letter to find whether the envelope of his letter weighs half a tola or a little more and in case it is found to be slightly in excess of the stipulated weight it will be necessary for the addressee or the sender to pay two annas more as "bearing" charges with the result that a single letter will cost seven pice more than the prevailing rate of five pice now for a letter of two and a half tolas. I think this concession would have been a real boon to the country if the question of the weight of letters had been at one tola instead of half a tola.

Before resuming my seat I must express my full agreement and concurrence with the Honourable the President in his most appropriate remarks of this morning against the manner in which this House is being dealt with in regard to the disposal of such an important Bill, when the major portion of the taxes are being realized from the constituencies of Members represented in this House. And I have no hesitation in repeating the remarks that the Members of this House pay bigger taxes and that they have their interest more at stake than the Members of the other House and as such they must be allowed at least the prescribed limit of time for the consideration and discussion of this Bill. This system of rushing the Finance Bill is altogether contrary to the interests of this House and I most heartily congratulate the Honourable the President for his impartial attitude of this morning in voicing the feelings of every non-official Member of this House, whether elected or nominated, and we fully concur, co-operate and support him in his views which he communicated to the official Member who wanted to rush this most important Bill in such an extraordinary, unusual, uncommon and peculiar manner.

THE HONOURABLE MR. J. B. GLASS (Burma Chamber of Commerce): Sir, in my recent speech on the budget in this Council I emphasized the view of the Burma Chamber of Commerce on what all Burma regards as a very important issue, namely, the question of a refund to Burma of half the rice export duty. But the Honourable the Finance Member gave me no reply. Since then my views have been endorsed by the Government of Burma and by a unanimous Resolution of the Burma Legislative Council. When my colleague in another place put forward some facts and figures and argued Burma's case, the Honourable the Finance Member replied chiefly by quoting a part of a speech made by Mr. B. N. Das, a Member of the Burma Legislative Council, during the discussion of this matter on an adjournment Motion. I wish that the Honourable the Finance Member had quoted rather more of that speech. For one thing, Sir, Mr. Das began his speech by declaring himself to be the representative of Bengal; it is therefore of particular interest to find that he went on to declare, not merely that he sympathized with Burma's

position (as the Honourable the Finance Member stated), but that he wholeheartedly supported the claim of Burma for half the proceeds of the rice duty, and that he supported it on the grounds of justice, equity and good conscience. It would perhaps be unwise to rely upon good conscience as the ground for an appeal to any Finance Member, but on the grounds of justice and equity Burma has already, I submit, established its claim. Unfortunately, not having the full record of the debate in the Burma Legislative Council, the newspapers here in India were led to suppose that by his quotation Sir George Schuster had effectively disposed of Burma's claim when he had merely brushed it aside. Sir, Burma *has* based its claim upon its merit, and on suitable occasions Burma will continue to press its claim on that basis as the Honourable the Finance Member has recommended.

I am grateful to the Honourable the Finance Member for his remarks on that occasion because they led me to study his budget speech more closely with a view to discovering the policy which is the key to his differentiation between Bengal and Burma. I see in him now the far-sighted organizer of a new India as a co-operative society with the provinces for its members and their welfare for its object. His first step towards this end is the financial rehabilitation of one of those provinces which seems to be in great difficulty. But this help is not given entirely for the sake of that province; it is not a province but a great "new India" that Sir George seeks to establish. The pity is that he has concealed the noble proportions of his plan. He is the builder of a stately edifice; but he has shown us only the rough scaffolding, erected as a preliminary step, and has asked us to judge his building by that.

Now, Sir, we do not yet know whether there will be a Burma wing to this building; or to revert to my other metaphor, we do not yet know whether Burma will be a member of that great new India. Burma must therefore be regarded, for consideration of its present claim, as a federating province of India, sharing not only the disabilities of the position, fiscally and otherwise but entitled also to any immediate relief which should accrue to it in equity through that association. At the moment the point is a refund of a portion of the rice export tax on similar lines to the refund to be made to Bengal of the jute export tax.

The Honourable the Finance Member, however, stated in another place that he cannot admit that the present occasion, when Government is making proposals for assisting Bengal, adds any force to the claim which Burma can make but that any case Burma wishes to put forward must stand on its own merits.

Sir, the merits of Burma's case are outstanding and in no way less clear than those of Bengal's case. Burma, like Bengal, is an agricultural province and has felt in the same way the pressure of payment for carrying out India's protective fiscal policy.

The fall in value of Burma's produce in the three years 1928-29 to 1931-32 is shown on page 12 of the official publication entitled *Review of Trade in 1932-33* to have been on precisely the same scale as in Bengal, namely, a fall of 54 per cent.

During the last four years Burma in order to balance its budget has had to borrow over Rs. 5 crores from the Government of India; a further sum of Rs. 86 lakhs is estimated to be required for 1934-35, making for the five years a total of just under 6 crores or the equivalent of Rs. 4 per head of its population. The Finance Member stated in his budget speech that Bengal's debt

[Mr. J. B. Glass.]

will have grown by Rs. 7 crores in the same period and is likely to become unmanageable. But this amounts only to about Rs. 1-6-0 per head of the population or just over one-third the corresponding amount for Burma.

If we take the current year's deficits alone we find a similar result, since the estimate made about a month ago for Burma worked out to about thirteen annas per head as compared with seven annas for Bengal.

Various estimates of the comparative rates of taxation per head in the different provinces have recently been given; I prefer to use those given with full references for authority by a representative of Burma in the other House, but estimates on other bases, though differing in actual figures, show the same general effect. The particular calculations I am using give an average rate of taxation in Burma in 1932-33 of Rs. 5-2-0 per head whereas the corresponding rate in Bengal is Rs. 1-6-0. The high figure in Burma is due to the effort made by Burma to pay its own way. In particular I remind Honourable Members of the capitation tax in Burma which amounts to Rs. 4 per married man and Rs. 2 per single man over the age of 18. In this form this tax applies only to Lower Burma, there is however a corresponding tax on a different basis but with about the same average effect in Upper Burma. In addition to these taxes special to Burma, taxes on cigarettes and matches have been specially imposed upon itself by Burma in an effort to pay its own way.

I submit that these comparative figures that I have given suffice to show  
 4 P.M. that there is sufficient ground for investigating in detail the merit of Burma's claim for assistance. I have shown that the merit of Burma's claim is in every way as great as the merit of Bengal's claim. Why, Sir, even the special financial difficulty which Bengal has felt as a result of terrorism has been paralleled in Burma through the cost of suppressing the recent rebellion. It cannot be supposed that the possibility of the separation of Burma can prevent the Honourable the Finance Member from giving due recognition to Burma's claim, since it is unthinkable that Burma should be denied relief on that ground and at the same time be asked to pay for the relief of Bengal.

Sir, I hope that all Honourable Members of this Council will appreciate the force of my arguments and will give some support to the lone hand I have to play. I also appeal to Sir Alan Parsons, in his reply to this debate to explain Government's attitude towards Burma's claims.

Sir, I submit it would be discourteous to you, Sir, the Members of this House, and the people of Burma if we are not given full details of the Central Government's views on the picture I have painted.

Burma's demand is by the whole country irrespective of politics, race or creed, all differences normally existent being forgotten in a unanimous protest against unfair treatment and in a cry for justice and equity.

THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU (Madras : Non-Muhammadan) : Mr. President, this is an occasion when the representatives of the people are given an opportunity to give expression to their grievances. I therefore wish to bring to the notice of the Government a few grievances in the hope that they will receive due consideration and that they will be redressed as early as possible. First, then, there is the unfortunate condition of the agriculturists of my province. I am an agriculturist myself. I was born in an agricultural family amidst agriculturists. I was brought up amongst them. I live with them. I know their troubles. Nowadays,

only salaried men are able to live decently. All other classes are put to great difficulties to make two ends meet. None of these are maintaining the previous standard of living. They have not enough to eat. Many people have only one meal a day. They may be described as *Jeevatchsavams*, living corpses. Take the case of rice producers. They have small holdings, many of them. When paddy was selling at Rs. 8 a bag they had enough to pay their taxes and cultivation expenses and to maintain their families. Our Hindu families consist not only of a man and his wife and their children but also a number of dependants. There is no family containing less than five members. Some contain even ten or fifteen members. All these must be maintained by the proceeds of the small holding. Today, the price of paddy is not more than Rs. 2-8-0 per bag and the entire sale proceeds of the paddy yield of a small holding are just enough to pay the taxes and the cultivation expenses. On what then is the family to be fed. That is the problem of the day in my province. Our land tax comes up to Rs. 10 to Rs. 15 an acre. Very often the tax is higher than what the tenants pay to the zamindars in the neighbourhood. I am also a zamindar owning some villages. In my villages a tenant pays at the rate of Rs. 3-8-0 per acre to me, in addition they pay Rs. 5 to the Government for water tax and in addition to that they may have to pay annas eight cesses. That makes Rs. 9 per acre. In the neighbouring Government villages the taxes amount to Rs. 10 to Rs. 14. The cultivation expenses now come up to Rs. 20 per acre. This brings it up to something like Rs. 30 to Rs. 34 to be spent on each acre in order to get a produce of one *putty* of paddy worth Rs. 30. Ordinarily speaking, there is nothing left to the cultivator to live upon. Now I ask, with all respect, whether it is not the duty of Government to do something to improve the condition of the ryots? They must devise some means by which the taxes could be reduced and the prices could be improved. The function of Government is to protect the people. They cannot stand folding their arms while people are starving. It is not for me to suggest means by which redress can be given. It is the business of Government to provide for the protection of our persons and the security of our property. They must also see that the people are prosperous. Will they do it? I may however mention some ways by which the ryot can be protected.

- (1) Reduce the land taxes by at least 25 per cent.
- (2) Give railway facilities, concessional rates for the conveyance of paddy or rice.
- (3) Remove the export tax on rice which is at present Rs. 0-2-3 per maund.
- (4) Arrange with the Nizam's Government to remove the import duty of six annas per maund. As part of India Hyderabad must agree not to tax imports from other parts of India. It is said that under the treaty the Nizam's Government is entitled to levy a tax at the rate of 5 per cent. *ad valorem*.

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must not refer to the Indian States in his remarks or his observations.

THE HONOURABLE MR. Y. RANGANAYAKALU NAIDU: (5) Malaya is imposing a tax on rice imported from India. Now Malaya is British territory. Our Government can easily succeed in getting this tax removed.

(6) Ceylon is also putting an import tax on rice at annas eight per maund of paddy and annas twelve per maund of rice. This is also British territory.

In both these cases at least a preference for Indian rice as allowed by Great Britain under the Ottawa Pact may be obtained.



[Mr. Y. Ranganayakalu Naidu.]

(7) Stop the import of rice from Burma.

(8) Devaluate the rupee. This is the ratio problem on which the Honourable Members of my party have often said so much.

(9) Prohibit the importation of rice by Japan and other countries from Siam and Cochin China, etc.

These are only some of the ways which suggest themselves to me. But Government can certainly think of more and better methods.

Next I come to income-tax. I have already said something on this subject on a previous occasion. This tax is eating into our very flesh. I own some sailing ships. But the income of these sailing ships is barely sufficient for covering expenses in these days of depression and nothing is left for the depreciation fund and as for profits they are nil. If I am not mistaken persons who pay super-taxes also will have to pay nearly 30 per cent. of their incomes as income-tax. Do not Government consider that this is heavy? Then as regards deductions from income some facilities must be granted to the taxpayer. At present very few deductions are made.

Next I should like to say a few words about industries. The Government policy of safeguarding industries is good. But Government are not using that Act fully. The excise duty on Indian-made sugar is unjust and full of hardship. It does not encourage the industry. So is the duty on matches and cigarettes. Further, no attempt is made by the Government to develop new industries. With the present prices of the produce of the land the agriculturists find it difficult to give any work to other people. Some work must be found for such people. Take the field labourer for instance. They are employed only at particular seasons, such as transplanting and harvest seasons. There is a long interval between these two. Before the depression these labourers used to get work such as building houses, putting up *pandals* and the like. But today they have no such work in the off-season. In times of prosperity the ryots used to employ them in such works on daily wages. Today the ryot has no money to build a house or to undertake other works and therefore cannot employ the coolies. The result is that these coolies are left without any work for six months in the year. They do not earn anything during that period. What are they to do? How are they to keep body and soul together? They are becoming weak and inefficient for want of proper nourishment. They are useless for the next season. Will not the Government do something to improve their condition? The establishment of new industries might find some work for them. On these lines I would earnestly appeal to the Government to undertake the construction of roads, irrigation works, electric works and public buildings and thereby find work for the unemployed. If no satisfactory reply is forthcoming I shall be unable to support this Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, we are grateful to you for the expressions given to by you this morning regarding the scant courtesy shown to us by Government to discuss an important Bill like this. I hope that next time Government will be able to give us sufficient time to discuss an important Bill like the Finance Bill.

Sir, the abolition of the export duty on hides may result in ruining the Indian tanning industry; especially will my province of Madras be hard hit. With regard to the super-tax and surcharge, I fear that nothing has been done till now though in 1931 the Government of India, when they brought forward

their emergency Bill, indicated that it would last only for 18 months. Eighteen months have come and gone ; we are now practically in the third year. I hope that steps will be taken as early as possible to give some relief to the over-taxed merchants and business men. Coming to agricultural products, I come from a province where 50 per cent. of the population are agriculturists. They are suffering on account of the foreign importation of rice in our province. I hope that before this meeting concludes, the Leader of the House will kindly tell us what action Government are taking with reference to the importation of rice in our province. This is agitating the people in our province very much. Next month will be the last month when the *kist* will have to be paid. I fear that unless some protection is given to them, they will not be able to sell their paddy which is stored up now. This is one of the complaints of the agriculturists. I am told that Government are taking some measures in this matter.

With reference to the postal rates, no doubt some reductions have been made by the Assembly regarding book post thanks to Sir Frank Noyce, but still, I hope that next year, when the Bill is presented, some further relief will be accorded in reduction of postal rates in letters and postcards. We started with three pie postcards, then it became six pies and now it is nine pies. The poorer classes are very badly handicapped on account of the increased cost of the postcard. I would not have grudged it if they had raised the price of postage stamps by three pies instead of postcards. No doubt this will affect the business men a little bit, but not the poorer classes. I hope the Government will try their best and see that at least next year the rates for postcards are reduced.

Coming to the expenditure side, I think the Government are doing their little bit to reduce expenditure. I must take this opportunity of thanking His Excellency the Commander-in-Chief for what he has done to curtail military expenditure. But the Government have not done much to retrench expenditure on the civil side.

I shall not take up the other items, *e.g.*, the match tax, etc., because they will come up separately. I hope that at least in the next year's budget some relief will be given in reducing the rate of postcards and also the surcharge. I may be optimistic. I hope that Government will try to reduce the 25 per cent. surcharge which was imposed as an emergency measure in 1931.

I have nothing more to say, Sir.

**THE HONOURABLE MAHARAJA JAGDISH NATH RAY** of DINAJPUR (Bengal: Nominated Non-Official): Sir, I was not much inclined to participate in today's debate partly owing to the rush and hurry that have practically turned it into a conventional ceremony, and mostly because the proposals and demands involving even the incidence of fresh taxation have already been passed by the other House. Be that as it may ; I have one or two points in view, which could not be touched during the budget discussion and I should like to place them before my Honourable friends today in as few words as possible.

Increased taxation can never be palatable ; but our thanks are due to the Honourable the Finance Member for the fact that he has along with it stressed the necessity of a constructive economic policy to improve conditions in India. He is also not oblivious of the main problems that stare us in the face, I mean the indebtedness of the agriculturists and the means to increase the demand for their produce. But the two things that struck me most in the budget were (1) the smaller provision made under the "Debt Reduction" head, and (2) the indulgence shewn to the railway authorities in regard to their

[Mr. Mahmood Suhrawady.]

annual contribution to the general finance. I am glad to have had an answer to the former item in the Finance Member's reply to the budget debate in the other House, which has dispelled my fears as to its probable effect on our credit in the foreign market. But the glaring fact that as much as Rs. 24 crores are now due by the railways to the exchequer calls in any case for a more vigilant eye on their finances. It seems the railways have entered into a competitive race for expenditures with the much-maligned Military Department. I am constrained to think that the latter may have some excuse to refuse to cut down expenses but the former ought to have none.

Sir, I must now turn to my principal theme, that is, the economic position of the country and shall confine my attention particularly to the poor province of Bengal. It can never be gainsaid that the thing which people are most concerned about is their economic condition. Economics is three-fourths, if not more of politics also. And I hope I shall be pardoned if I say that the neglect of the economic condition of the country on the part of our Government in the past has hurt the people most.

Our economic life is controlled by various factors and it is also true that world currents influence it to a very great extent nowadays. But a working basis has to be found out, under any circumstances, on which the Government will be in a position to further the cause of economic advancement.

It is a patent fact that the majority of the people, at least in Bengal, depend directly or indirectly on agriculture—the cultivators, the zamindars or landlords, the money-lenders, the share-holders of joint stock banks as well as traders, they are all inter-linked in the economic life of the country. The abnormal fall in the prices of agricultural products has made the agriculturists unable to pay their rents, the landlords to pay their revenues; and thus the debt of all classes of people have gone up mountain high. The Bengal agriculturists' income is derived mainly from rice and jute. They have some other minor crops too. But the prices of all these commodities have fallen. The total value of rice is of course much greater than that of jute and the cropped area under jute is much smaller than the other. But jute is the principal commercial crop—it is indeed the money crop and its price has gone down to less than one-fourth of its normal price. The value of rice also has become about one-half of its previous value. The total rural indebtedness is about Rs. 200 crores now in Bengal alone and the interest itself amounts to about Rs. 50 or Rs. 60 crores per annum. And what may be the estimated rental of the occupancy ryot—it is nothing above Rs. 8 or Rs. 9 crores. Let us all appreciate the colossal burden that the ryot will have to bear in an increasing scale from day to day. People may talk glibly of the permanent settlement and such other things. But, no, Sir, salvation does not lie that way. The interests of the nation can only be advanced by lifting this huge load from off its shoulders. As a landholder I fully realize that the zamindars or landlords too will have to exert themselves to the utmost and to offer unstinted co-operation in the work of economic rehabilitation that may be initiated by Government. But for the immediate present, steps must be taken to raise the prices of agricultural produce, and in this respect also, the price of Bengal jute will prove an easier ground. Even if it be difficult to raise the price, it may be fixed more easily by breaking the "combined ring" that has grown about the trade. I know that America has in the meanwhile imposed a countervailing duty on jute products. Nevertheless, some bold action must be taken at once and now. But what I am afraid of is that it is not within the power of the Provincial Government to do much to raise the prices of agricultural commodities, and I appeal therefore to the authorities here to do

whatever possible for them without delay and to strengthen further the hands of the Provincial Government towards the same object. I feel grateful that the Imperial Council of Agricultural Research donated Rs. 1½ lakhs to the Bengal Minister for Agriculture to assist him in experimenting to improve the rice crop. There has of late been an increasing competition in the export trade in our rice from the markets of Italy, Egypt and Spain. It may not be known to all of us that about five per cent. of the Bengal rice production is annually exported.

Sir, there is an oft-repeated question nowadays: Has Bengal done anything to put her own house in order? Bengal is not lacking in her sense of self-respect. She feels the sting when even half the export duty on her own jute is grudged. But hers is a special case which can be laid before any impartial tribunal. She has been subjected to increasing financial hardship for over half a century. Malaria and other death-dealing diseases have made her position quite pitiable. She has no indigenous industry except the staple one of agriculture and that too is in an absolutely bad way at present. Still, we must hope for the best. It is somewhat encouraging no doubt that at last a gross wrong has been partially righted, and the Government of Bengal have concentrated their attention on an elaborate plan of economic recovery. But where are the funds to come from? May the Central Government do all in their power to back His Excellency the Governor of Bengal in his ever-glorious "effort to solve the problem of reorganization of the rural economy of the province", and do still more as a supervising authority.

THE HONOURABLE MR. J. S. HENDERSON (Bengal Chamber of Commerce): Sir, in rising to support the Bill I should like to take advantage of this further opportunity of expressing on behalf of the interests I represent our grateful thanks and appreciation of the generous and sorely wanted contribution of at least half of the jute export duty which it is proposed to make to Bengal, tardy though that assistance may be said to be. As has already been made clear to this House by one of my Bengal colleagues we held very strongly that the whole of the jute export duty was nothing less than the due of our province, but "Half a loaf is better than no bread" and we must just be satisfied with it for the time being and congratulate ourselves accordingly. Our claim to the export duty on jute is not a new one. It was advanced in 1926, and it was strongly pressed by the Local Government in their report to the Statutory Commission. For the following reasons which I shall endeavour to set before Honourable Members as briefly as possible, Bengal has always held—and in my opinion, rightly so—that the export duty on jute should be recognized as a provincial source of revenue and treated accordingly. This House has already heard the reasons on which that claim is based, and which may be briefly restated as follows:

Firstly, that the jute industry—and of course I am using the term here in its widest sense so as to include the jute grower—is the monopoly of Bengal and one on which the prosperity of the province and its finances very largely depends. Secondly, that, being a monopoly of Bengal and of small areas in two neighbouring provinces, the proceeds of the duty on jute are directly attributable to a definite geographical area; and, in the third place, that unless the duty is treated as a provincial source of revenue it will be impossible to secure uniformity of provincial burdens as between the jute-producing provinces and the other provinces as a whole. Then, Sir, there is the further point which has already been put forward by my Honourable friend Mr. Basu in the very able and effective speech he made on this subject at the time of the

[ Mr. J. S. Henderson. ]

general budget discussion in this House the other day, and which I should now like to stress. That is, the bearing which the permanent settlement may be said to have on the allocation of the revenue from jute. Bengal land is producing, through the jute export duty, what amounts in effect to a very substantial addition to the land revenue. Had there been no permanent settlement and no special taxation on the production of jute, the rent receivable by the zamindars for jute lands would as my Honourable colleague has pointed out, have been greatly enhanced and the Local Government would have reaped a corresponding benefit in the shape of increased land revenue. Other provinces with the advantage over Bengal of temporary settlements have been able to reap the benefit of the development of the crops peculiar to each—wheat, cotton, groundnuts, etc.—and have indeed been materially assisted in some instances by protective measures on the part of the Government of India.

In the unfortunate case of Bengal, however, there has been a different story to tell, for she has been denied the benefit of jute, the peculiar crop of the province, which instead of being utilized as a means of increasing her land revenue as might have been done, has been exploited by the Central Government in the shape of an export duty. Sir, it is not too much to say that if Bengal had had the benefit of her monopoly all those years, not only would there have been no deficit to worry her administrators today, but it would have been possible to spend largely on those activities which have been stifled by lack of funds and the pressing need for which is in all probability responsible for much of the discontent which prevails in the province at present.

Sir, I think enough has been said to demonstrate conclusively that Bengal's case is a just and deserving one, and that no other province is in a comparable position so far as both the need and the right to relief are concerned. Before passing from this subject I should like to pay a well deserved tribute to the sporting way in which the representatives of Burma and other provinces whose own needs are not inconsiderable, have rejoiced with Bengal in her good fortune and have made it abundantly clear that whatever views they have expressed on this subject have been dictated solely by these needs, and not out of any feelings of begrudgement or envy at our more fortunate lot. And in the same spirit we would welcome any relief of a similar nature which it might yet be found possible to afford them.

The proposal to abolish the export duty on raw hides formed the subject of a resolution moved by the Bengal Chamber at the last annual meeting of the Associated Chambers of Commerce of India in the following terms :

“ This Association is strongly of opinion that the export duty on hides and skins which has been in force since 1919 without fulfilling the object for which it was introduced, and which has proved to be harmful to this country as a whole, should be abolished at the very earliest opportunity ”.

It was pointed out in the course of the debate on the resolution—which was subsequently carried by a majority—that the United States have been our best customers in hides and skins, and that whilst the pre-war figures were not available, India's proportion of the total trade had dropped during the last three years from 38 per cent. to 28 per cent. The reason was not far to seek. It was due to intense competition from other countries. During the war, the German tanner was compelled to look elsewhere for his hides and thus developed new markets, whilst after the war other countries eagerly entered the field of competition. Thus India, which had hitherto been the

largest exporting country in the trade, had to face many keen rivals, and to face them under a severe handicap. It was further pointed out that no other country in the world levies an export tax on its hides, and that indeed one country, namely, South Africa, has subsidized this trade with a large bounty. India alone, has, up to the present, been handicapped by its own Government, and under that handicap a most important trade was in danger of total extinction. Sir, the export duty on hides has recently been described in another place as "a monstrous imposition", and I trust that enough has been said to convince this House that the abolition of this duty was a most necessary and desirable measure, and that it has not come a day before its time. I think the Government of India are to be congratulated on the step they propose to take, but in thanking them on behalf of the interests which I represent, I would ask them to go a step further and take the export duty off skins as well.

The Council then adjourned for Tea till Five of the Clock.

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The Council re-assembled after Tea at Five of the Clock, the Honourable the President in the Chair.

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**BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.**

**SECRETARY OF THE COUNCIL :** Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, which was passed by the Legislative Assembly at its meeting held on Wednesday, the 28th March, 1934.

**THE HONOURABLE THE PRESIDENT :** Honourable Members, this is a simple extending Bill and it must be passed before the 31st of March, otherwise no revenue can be collected under the Bill. If we do not pass this Bill before the 31st of March, it becomes extinct and the result would be that the original Bill would have to be introduced *de novo*. It is for this reason I suspend the operation of the Standing Orders and declare that this Bill will be taken up tomorrow after the Finance Bill has been disposed of.

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**INDIAN FINANCE BILL, 1934—continued.**

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY** (Bombay : Nominated Non-Official) : Sir, I will leave it to His Excellency the Commander-in-Chief to make his defence against the criticisms about the army. I would however remind the House that it was Lord Rawlinson, a former Commander-in-Chief, who said that there was no possibility of reducing the army estimates below Rs. 57 crores. Much water has flowed under the bridge since then. And now the figure has been brought down to Rs. 44.42 crores during 1933-34 and Rs. 44.38 for the next year. This achievement has been due to the large reduction of over Rs. 6 crores made by the Army

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

Retrenchment Committee and defence authorities. There were some accidental windfalls as well, and further the recent Award of the Tribunal of Rs. 1,82 crores during the current year and Rs. 2 crores in 1934-35 has contributed to the above result. It is however not expected that the present level would continue as circumstances might alter, and certain improvements, works, etc., that have been held up will require to be made up. Against these future developments has to be placed another remarkable achievement, *viz.*, the savings of Rs. 7,68 crores from the stabilized budget of Rs. 55 crores for re-equipment, through the operation of an economic drive, initiated by Field Marshal Sir William Birdwood and carried on by His Excellency the Commander-in-Chief. The estimate for re-equipment was originally Rs. 10 crores but has now been reduced to Rs. 9,74 crores. This leaves a balance of Rs. 2,06 crores that has yet to be found to complete it. Further, Sir, it has been complained that the army expenditure in spite of the Tribunal's Award has not been reduced. Our Honourable friends should not forget that two new arms have been added, namely, the Indian Air Force and the Indian Regiment of Artillery, both of which have been provided in response to the frequent demands made in the other House. His Excellency has gone further and has recently equipped the army with a new gun for the British and Indian cavalry without any extra demand. The main object of the above measures appears to have been to work off the most urgent commitments as far as possible before the new constitution comes, so as to leave the bare charge for maintenance and minor replacements. We cannot but be grateful to His Excellency the Commander-in-Chief for the above results which, under other circumstances, would have entailed a demand for an additional ten crores.

It is also satisfactory to note that Indianization of the army is steadily progressing and that at present there are 174 Indian officers holding the King's Commission. This number would have been larger but for the fact of some 20 resignations as stated last year by His Excellency in the course of a reply to a question in this House. The interest of His Excellency in exploring further avenues of retrenchment is very creditable to him indeed. It has been stated in some quarters that further retrenchment is possible without reducing a single soldier. If that is so, we expect that His Excellency will be able to show some results next year, as the Secretary of State stated the other day in the House of Commons that the forces at present maintained are the minimum required for the safety and internal security of the country.

Sir, the second point I wish to refer to relates to the great fall in the customs revenue. The causes are too well known to require repetition. But I would say that the accusation frequently made against the Government, that its action is generally belated when it should have been prompt, is borne out in this instance. The diversion of trade to Kathiawar and other ports should have been immediately investigated two years ago before it had well established itself and some remedial measures taken—some *modus vivendi* sought out with the States. It is gratifying to note, however, that the Honourable the Finance Member announced yesterday that an inquiry is to be held. The result meanwhile has been disastrous both to the revenues of India as well as of Bombay. I do not desire to reiterate the state of the Government of Bombay, nor that of the Bombay Municipal Corporation, nor that of the Bombay Port Trust. I do not make any *admiserecordiam* appeal because another province has been benefitted. I would, however, place Bombay's case on a broader plane—a higher plane, than that of inter-provincial jealousy. I would put it in this wise. If the Bombay Government has put its house in

order ; if it has succeeded in balancing its budget, though it will now have a deficit of over Rs. 10 lakhs through the loss of the cotton import duty just abolished ; if it has made large retrenchments ; if it has reorganized its services ; if its taxation is the highest in India and about the same level as that of Burma ; if it has to undertake heavy expenditure to fight the civil disobedience movement ; if it has been one of the largest contributors to income and super-tax ; if it has to meet an enormous load of interest and sinking fund charges on account of capital and loans raised for the purpose of the Sukkur Barrage, the Back Bay Reclamation Scheme and the Development Department ; and if it has had to make remissions and suspensions of revenue from agriculture ; if Bombay has done all this, I put it to the Honourable House whether it does not deserve some consideration ? Patting Bombay on the back, complimenting her, and exhibiting her as an object lesson worthy of emulation by other Provincial Governments is but small satisfaction. The municipality has to pay out annually in loan charges about one-third of its total revenue of over Rs. 3 crores. It has lost the cotton import duty of several lakhs and it has a deficit budget ? Its Improvement Trust has on hand undeveloped lands to the extent of Rs. 9 crores, the interest and sinking charges for which amount to about Rs. 95 lakhs per annum. The Port Trust has had to borrow largely for the improvement of trade and provide facilities, the customs revenues from which are derived by the Government of India and is now prepared to sacrifice over Rs. 6 lakhs by reducing its dues. Such, Sir, is the deplorable tale of Bombay's woes !

Sir, I express my sincere gratitude to the Honourable the Finance Member for allowing the Bombay Corporation to postpone its provision for debt redemption amounting to about Rs. 9 lakhs in order to enable it to make up for the loss of the cotton import duty. At the best, it is but a partial and temporary palliative, but nevertheless I feel none the less grateful to him for that. But, Sir, it will surprise the Honourable House to know that the Local Government have subsequently reduced the amount of the moratorium from Rs. 9 lakhs to Rs. 2½ lakhs only !

Now, Sir, I come to a most regrettable omission, *viz.*, the absence of any provision for the improvement of Public Health—a Department that has been considered a sort of foster child. All progress in the industrial and agricultural development of India depends entirely upon the health of its population. Sound bodily health is the only means whereby productivity could be increased. And yet, let me ask the Honourable House where we stand today in this regard ? I am not exaggerating when I say that we stand upon the brink of a precipice overhanging an unfathomable abyss. Our birth rate is about 36 per 1,000 ; our death rate 26-27 ; our infant mortality is about 232 on an average ; our expectation of life, about 25—30 years, is much less than half of what it is in temperate climates ; of our young child-bearing mothers, 24 per 1,000 die during delivery against but four in temperate climates. Does this appear as if India were progressing ? Sir, an exhaustive survey including health and economic conditions was conducted under Sir John Megaw, late Director General of the Indian Medical Service, among 571 villages and comprising nearly three-quarters of a million people, and his conclusions are startling. He says that out of every 100 individuals, 39 are well nourished ; 41 poorly and 20 badly nourished. In Bengal only 22 are well and 31 badly nourished. What effect this state of affairs has upon health has provided a startling disclosure. There exist today in this country 23 million sufferers from ten preventable diseases ; 100 millions suffer from malaria according to the Health Organization Committee of the League of Nations, and one death in 3.5 is due to fevers. Add to this the deaths from small-pox, cholera, plague, etc.



[Khan Bahadur Dr. Sir Nasarvanji Coksý.]

It is indeed a heavy holocaust, a heavy toll India has to pay. The suffering and misery entailed by these ailments can scarcely be imagined. Have we, I ask, touched even the bare fringe to counteract these ravages ?

Sir, those debilitated and weakly masses produce a progeny of weaklings, who, if they happen to survive the early vicissitudes of life, propagate others of the same kind and thus the vicious struggle continues from generation to generation. And we try to prop up those weaklings by our various schemes to enable them to tide over the first year of life. We congratulate ourselves upon reducing the infant mortality rate. But let me ask, how many of those yearlings survive over two, five, ten or fifteen years ? We know not ; nor the number that eventually become economic factors. We cannot apply Nature's law of the survival of the fittest to human beings and we have therefore to pay a heavy penalty in suffering and early death. Sir John Megaw in a recent lecture in London said that people in India should be instructed that hard facts have to be faced as the increase of population will outstrip production of food. Education alone and some system of restriction of families is imperative, though he did not advocate any particular form of birth control. Dr. Hutton, the Census Commissioner, realizes the difficulties of introducing such methods, but he suggests that

“ If the luxury of baby weeks be permitted, they should be accompanied by instruction in birth control.”

Sir, my experience of 34 years in the Bombay hospitals where I did my level best to snatch these human derelicts from the jaws of death when afflicted with various infectious diseases has left upon me the bitter memory of our helplessness in the face of their inherent poor stamina, and feeble powers of resistance with an extremely heavy mortality. And if the population of India should reach 400 millions at the next census, one cannot envisage the state of public health, if the existing conditions are allowed to continue.

May I, Sir, be permitted to ask this House what is India's position today in regard to the Public Health Department of the Central Government. Is it not a skeleton, a mere shadow of what it should be ? Even small civilized countries look down upon it. They consider India as a nidus for the dissemination of small-pox, cholera, plague, etc., on the outbreak of any of these diseases, the news is flashed to the Bureau of the Health Organization of the League of Nations at Singapore and from there broadcast over the world. Major-General Graham, Public Health Commissioner, who retired recently states that in 1931 the spirit of retrenchment and economy had run wild—I should have said mad—as some of the proposals submitted were calculated to destroy the organization, though it was said to be a “ skeleton ” one !

I would ask why Government have not yet ratified the International Sanitary Convention of 1926 ? Are we not still backward in our international obligations in regard to quarantine rules and the administration of our large ports ? Does there exist adequate, or I should say, any co-ordination, any co-relation at all, between the transferred provincial subject of Public Health and the Central Department ? Have any standards been laid down to prevent adulteration of food-stuffs ? What measures have been adopted to implement the recommendations of the report of the Drugs Enquiry Committee ? What has been done for the sanitary and medical requirements of rural areas and rural uplift ? Why has a commission of enquiry not been appointed to report upon the vital subject of the health and well-being of the people ?

Sir, I cannot understand the eternal and chronic defence of the lack of funds. Where there is a will, there is a way. Why not reimpose the stamp

duty on cheques? That would bring in Rs. 10 to Rs. 12 lakhs a year, ear-mark it for this purpose in the first instance and thereafter for the organization of the Ministry of Health and a Public Health Board ?

What then is the remedy ? It is not constitutional reform ; it is not more power or preferment for politicians, it is not federation. What is required is an exhaustive enquiry embracing health and economic conditions by experts of world-wide reputation, men like Sir George Newman of the Ministry of Health, Sir Aldo Castellani of the London School of Tropical Medicine, in association with Sir John Megaw and a senior officer of the Public Health Service of the United States with experience of the tropics and two or three Indians of note. It will be their duty to collect and sort out all the data available in a comprehensive report. While that is being done, a Ministry of Health should be created and the Board of Public Health resuscitated to collate the available information and to be ready to devise measures upon the report of the commission of experts. A system of public health work can then be worked out and a programme settled, that should be carried out by Provincial Governments. The question of cost will no doubt arise, but looking to the great and immense benefits that will be derived, it should not be counted. It will save millions. It will be an insurance against preventible suffering and misery, greatly lowered mortality and the existence of a healthy virile stock, that would enhance the prosperity of the country.

Sir, is it not high time that the Legislature should devote its energy to such a noble cause in the interests of India, in order to enable it to take its proper place in the Commonwealth of the British Empire and not be looked down upon as an inferior country with an inferiority complex ?

Sir, I support the Motion for consideration of the Finance Bill.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, at the outset, I join other Honourable Members in giving expression to our sense of great appreciation and satisfaction at your upholding the cause of the non-official Members of the House this morning, by giving a warning to the Government about the way in which important pieces of legislation like the one now before the House are rushed through in this House. I am one of those who had intended to lodge an emphatic protest against the action of Government so far as this important matter was concerned ; but your valuable observations this morning leave no necessity for anybody in the House to dilate on the matter. You, Sir, deserve the congratulations of the non-official Members of the House for your action this morning in championing our rights.

Sir, the Finance Bill has unfortunately become a yearly feature of the central budget for the last several years and every year fresh taxation is imposed in some form or other at a time when the general taxpayer, being affected by the heavy slump in prices and the unprecedented economic depression, has for some years been feeling more than ever the acute need of relief in the burden of taxation. It was high time that the top-heaviness of the administration should have been reduced and the drain from the country checked rather than that the Finance Member should go on exploring fresh avenues of taxation year after year and adding to the burden of taxation in the country which has already reached the limit of the paying capacity of the people.

Now, coming to the actual proposals of taxation, I must express satisfaction at the Government agreeing to the non-official view in the Legislative

[Rai Bahadur Lala Jagdish Prasad.]

Assembly with regard to the proposed duty on cigarettes and unmanufactured tobacco. By the duty now proposed in the Bill under this head it is hoped that on the one hand the nascent Indian cigarette industry will be saved from ruination and on the other hand the proposal would go to protect Indian tobacco and thereby help agricultural interests in India.

As regards postal rates, Sir, I am sorry that the Government have not seen their way to accede to the non-official viewpoint, namely, that the initial weight of the proposed inland one anna letters should be one tola and not half a tola as proposed in the Bill. It is the general belief that the public will not be benefitted to an appreciable extent by the reduction in the charge for such letters from one and a quarter annas to one anna, as very thin paper and envelopes will have to be used to keep down the weight to half a tola, which will by no means be easy for the general public to adopt. And we fear that the result will be that most of the letters might be understamped and people might have to pay a double fee in the shape of penalty, because everybody is not so careful as to weigh his letters before posting them. Then, as regards income-tax and super-tax, the enhanced rates continue and no relief is proposed to be given under these taxes. Even the minimum taxable income for the purposes of assessment of income-tax is being retained at Rs. 1,000 in spite of public protest, and the surcharge also continues in operation, which were emergency measures. This is not a state of affairs on which the Government can be congratulated. However, there seems to be no way out of the difficult position in which the country is placed on account of the existing taxation policy of the Government, and the representatives of the public in the Legislature have only to draw the attention of the Government to what the public in general think of their proposals. Ultimately it rests with the Government themselves how far in moulding their policy they allow themselves to be influenced by public opinion, since, situated as we are, the Legislatures have no effective voice in shaping the policy of Government. I hope, Sir, that these brief observations of mine will receive proper consideration at the hands of Government.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, the Finance Bill is usually utilized to criticize the policy underlying the administration of the Government as well as for scrutinizing the taxation proposals. There are some people who think that constitutionally this House is in the same position as the House of Lords. Some people might think it complimentary and others otherwise. But I wish to say there is all the world of difference between the powers of the House of Lords and the powers of this House. We, Sir, have not been decapitated as that House was by the 1911 Act, and because we have concurrent power with the Assembly to open up the purse strings we demand it as a matter of right that we should have a chance to scrutinize and criticize the Government's policy. As some people have remarked, this is the last budget of Sir George Schuster. Even his worst enemy cannot deny the fact that he has made superhuman efforts to balance the budget. With a singleness of purpose which is really surprising he has carried on the task for five years, during the major part of which he had to pass through times of great difficulty, and we must give him every praise for having steered the ship of state with so much care. Although we have differed from him and we still differ from him as to what should be the best policy, we must allow that he has done everything in his power and done it in spite of all kinds of opposition which he has had to surmount.

The first item on which I wish to say a few words is the external loan operations of the Government. I have been protesting against the increase of

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\* Speech not corrected by the Honourable Member.

our external burden ever since I entered this House, and probably Members will remember that during the very first session in 1931, I brought forward a Resolution asking that a committee be formed to advise Government on loan operations. This year, Sir, the necessity for that committee has been emphasized. It will be remembered that at the end of April, 1933 the Finance Department floated a loan at  $3\frac{1}{2}$  per cent. and issued it at the price of 96. It was a marvelous success. More than Rs. 15 crores were applied for in cash and an equal amount of money was forthcoming in the shape of conversion. It came not only as a surprise to us, Sir, but it is said that it came as a surprise even to the Finance Department. But what was the result? Within 15 days the Secretary of State floated a loan in England at four per cent. issued at 97. At that moment the exchange was not sagging and it had not reached a point at which Government would have had to sell reverse councils. There was no necessity for it, but simply because the Secretary of State felt a desire to find some useful method of investment for his constituents he superimposed it upon us. The result was simply disastrous. The loan which had started so well, which was being quoted at a premium, went down at once, and it did not recover its position until very recently. Then—I do not know how far there is truth in this—there was a rumour in the market that the Finance Department was overruled by the demi-god of Whitehall. We should like to know exactly who are the people who are responsible for this state of affairs? I draw particular attention to this because of the fact that on the 16th March last year I moved a Resolution asking that our sterling commitments should be reduced. The Honourable Mr. Taylor accepted that Resolution, and he said on that occasion that it had been the policy of the Government, and it would remain the policy of the Government, and we asked then what was the reason for changing it all of a sudden? But the cup of iniquity is not yet filled. While we were in Simla I asked a question as to what the Government intended to do about the loan which was going to mature at the end of last year. I refer to the sterling loan of 1933-34 issue. In reply to my question, the Honourable Mr. Taylor said that he hoped he will be able to pay it from the balance with the Secretary of State, but that hope was doomed to failure. The Secretary of State floated a loan while we were considering the Reserve Bank Bill in the Joint Select Committee. It was a surprise to us. During the current year instead of reducing our commitments we have actually increased them. We find at the present moment that the Indian money market is able to absorb any amount of loans which the Government care to float. The remittance market is extraordinarily strong. I remember that one or two weeks ago there was actual application of £59 million and the Government allotted only £1 million. That shows that money can be transmitted from India to England easily, that money is available in India at rates not dearer, if not cheaper, than in England; and still the Government is compelled to float loans in England. It was for this reason that during the course of the Resolution to which I have referred—my Resolution of 1931—I asked Government to let us know what was the exact procedure, when it was to be decided whether we will have a rupee loan or a sterling loan? The reason for asking that was that we were informed that for the flotation of sterling loans the fiat goes out from the Secretary of State and the Government of India do not come in for their due share. They have not that sort of convention in the matter of finance whereby where the Government and the people are of one opinion we can flout the Secretary of State. I wish there were a convention like that, that where the Government of India and the Legislature are in agreement about loan operations their opinion should prevail and the Secretary of State should be made powerless to interfere to our loss. The Secretary of State is responsible for these loans

[Mr. Hossain Imam.]

because they are floated under the East India Loans Act. And here I should like to draw the attention of the House to a peculiar fact which shows our inability to do anything. While the quarterly statement of the indebtedness of the Government of India in rupee loans is published in the Gazette of India, as far as I have been able to find no publication in India is made of our sterling loans. When I wanted to see them I had to hunt up the English budget estimates and there in some papers I came to know the exact figures of the loans. I have already drawn attention to the fact that our management expenses in England are very expensive. As a matter of fact they are 25 per cent. higher than in India, because we have to rely on the Bank of England which, under the law as it now stands, is the authority to disburse the interest. Sir, the reason why I have always taken very strong objection to sterling loans is two-fold. Firstly, sterling loans mean that we have to find money for the payment of interest in coins of other countries. Those who have had to deal with the difficulties of getting exchange can realize the enormous amount of strain which the Government has to bear on that account. The whole policy of the Government is subservient to the premier need of financing our Home commitments. An interesting fact in this connection which has been brought out in the Joint Memorandum of the Indian delegation was that the total expenditure incurred by India on the Great War was Rs. 311 crores at the rate of exchange prevailing at that time. If this total expenditure of ours had been utilized to fund up our sterling commitments, it would have made our position so secure that we would not have been troubled by the nightmare of finding sterling to pay for interest on our debt. It would have more than covered our debts on that day and the amount of money which we have paid in interest since then would have sufficed to finance all our capital expenditure since that time up till now from revenue. The strength which would have been added to our position would have been enormous. I do not say that the position should be reversed now after the lapse of such a long time, but can I not say a word to the Government that after making such a magnificent present to Great Britain we are being held up to pay the paltry sum of £16 million which stands still unpaid, and we are promised that the treatment that will be meted out to us will be the same as to other parts of the British Empire and the world. But people forget the fact that the position of India and that of other debtor countries of Great Britain is like the poles asunder. While Great Britain lent money to other belligerents in the Great War, Great Britain did not lend us a single penny. It was all the other way round. We made a present to the British Government. When, in our prosperity we were generous enough to promise all the support that we could give, is it not lack of statesmanship on the part of Great Britain that they should stick to it and ask for their pound of flesh in the shape of £16 million which is standing unpaid? Not only is it going to be taken, but if we are to believe the statement contained in the Finance Secretary's review, we are called upon to pay the interest for the back period of amortization with compound interest for the period for which it was not paid. It is in the nature of a transaction which would put to shame even the worst money-lenders of India; but Britain can stand unashamed. The consolation is that we shall get the same treatment as the others. Can our Finance Secretary or Member point out a single country in the whole world of those who are debtor nations of Great Britain who have made any provision for the payment of interest during the present year? Even England herself is not making any provision for the payment to America of the entire sum due in interest. We are singled out to make full provision for both the items. As I said in the budget discussion Rs. 1,44 lakhs is the provision made for the payment of our debts. No country in the world is making this kind of provision.

**THE HONOURABLE THE PRESIDENT:** Has not that improved India's credit?

**THE HONOURABLE MR. HOSSAIN IMAM:** Sir, the improvement in India's credit is a subject dear to us as it is to the Government benches; but there is this difference, that while they wish to increase the credit at the cost of the life-blood of India, we wish to save ourselves first and then look to our credit. The item of extra-territorial expenditure has been a constant drain and the cause of ruin for India. Among the first class countries of the world there is scarcely any country which is to make such a high proportion of payment out of revenues for meeting day-to-day charges in foreign currency as India. And why is this so? Because of the fact that India in the beginning was regarded as something on the lines of a dependency and was administered with that view. Gradually, with the development of a national consciousness we forced the hands of the Government and the Government unwillingly is giving way. The result is that we have a sort of hybrid constitution which is neither that of a fully self-governing colony nor that of a dependency. The people who came out to India, the East India Company, regarded it as fair game, which was to be exploited to its utmost limit. At the present moment the thing which is very humiliating to us is that every day we are feeling that the bonds which are keeping India enslaved are being made stronger and stronger. But the advent of the Conservative Government in England is driving the Liberals to despair and I am very sorry to say, Sir, that our youth find that there is no possibility of amending this constitution, of making this country a place fit for men to live in. The result is that they become desperate, they have recourse to measures which are not sane, which are not constitutional. We deplore that, Sir. We condemn that. But can we shut our eyes to the fact that the Government is showing a complete disregard for the feelings of the Indians, that the Government is becoming impervious to any influence for good, with the result that we find it every day more and more difficult to bring round people to take a sane view of the Government of India.

Sir, the next item which I wish to take up is that relating to the operations of our sinking fund provision. Some Honourable colleagues of mine have condemned the Government for reducing the sinking fund provision and, Sir, I feel very glad for the unexpected pleasure that we have from the presence of Mr. Taylor here today in place of Sir Alan Parsons. I would remind him that last year when I made this suggestion of reducing the sinking charges, he said that the Government was not bankrupt and it was only a bankrupt Government which had recourse to this. I, Sir, wish to draw your attention to the fact that during the last five years we have made provision for redemption and avoidance of debt to the tune of Rs. 28·61 crores. During the same period, Sir, the deficit of the Government of India has been Rs. 21·51 crores. This ought to have resulted, Sir, in a reduction of our debts—I mean our uncovered debts—by Rs. 7·10 crores, but the actual figure which I got is that there is an excess of debts amounting to Rs. 37 crores. This means that there is an unaccounted sum of Rs. 44 crores. Last year, I drew attention to the subject. Then, our Honourable colleague, Mr. Taylor, pointed out that I must ask questions on the subject and he would reply in due course. Sir, I do not mean to say or insinuate that this money has been in any way hidden away or misappropriated or anything of the sort. We know the purposes for which it has been utilized but we wish the Government to admit it in so many words. They should not hide behind and camouflage the thing in different ways. The whole of these Rs. 44 crores has gone during the five years to keep up the exchange, and it is to me a source of great sorrow, Sir, that this sort of thing is allowed

[Mr. Hossain Imam.]

to the Government by the latitude of the Government of India Act. We, in this House, are not regarded as competent to vote demands and therefore we can only criticize and give our advice to Government. It is the duty of those who have the power under the constitution of voting demands that they should scrutinize each and every item of expenditure and give due prominence and due weight to the things that matter. Sir, not only is Rs. 44 crores unaccounted for but the fact that during the said five years, Rs. 40 crores have been added to our external debt is also the direct effect of our efforts to maintain a falling exchange. During the budget discussion, Sir, I referred to the increase of our total external expenditure in the ten years between 1922-23 and 1932-33. The Honourable Sir George Schuster in his reply said he was not convinced and questioned my authority. I should therefore like to present Mr. Taylor with the authority from which I quoted. My authority was the budget for 1924-25, Statement B. At the end we find that the actual expenditure in England in the year 1922-23 was Rs. 30 crores and the expenditure in India was Rs. 106 crores. The corresponding figure for the last year for which accounts have been prepared was expenditure in England Rs. 36·39 crores and expenditure in India Rs. 88·46 crores. This I find from the budget which has just been presented to us. It will be seen that the reduction in Indian expenditure is 14·15 per cent. and a *pro rata* reduction in the English expenditure would have reduced it to Rs. 25·75 crores, but it is at the present moment Rs. 36 crores, which means it is 42 per cent. higher than it would have been if there had been a *pro rata* economy of reduction in external expenditure.

Sir, the fact that we have put in our Gold Standard Reserve and the Paper Currency Reserve sufficient amount of sterling securities has tempted me to make a suggestion which I make with the full knowledge that I will be stigmatized as bringing forward revolutionary measures. Some of this money which we have got in our till—in these two Reserves—is borrowed money at rates of interest which are nowhere less than three and a half per cent. and which are as high as five and a half per cent. Between these two extremes we took all this money. This enormous money of ours, which amounts to something like Rs. 75 crores at the present moment, represents a yearly interest payment of Rs. 3 crores. From this loan money we derive an income of less than one per cent. Sometimes it is 16s. to £100 and sometimes 18s. to £100. This has been done because the financial pandits have given the dictum that the Reserve Bank should not hold Government of India's sterling securities. I agree. But there is something to be said in favour of the point that we should not put all our eggs in one basket. There is no harm if we seek to put our things in different countries. For instance, we have at the present moment British Treasury Bills as well as some loan scrips. I have been urging many times, and I wish to urge it again, that it will pay India if a substantial portion of our sterling holdings were invested in the Government of India sterling bonds. I urge it, Sir, for three reasons, firstly, it has the effect of strengthening our securities; secondly, it will at once reduce the rate of accommodation in England; and thirdly, it will put in some good money in our pocket in the way of the interest which we are now paying to somebody else coming back to us. The suspicion which India has that England is exploiting us is further strengthened by the fact that our money taken on high terms on loan is kept in England and gets low rates of interest. Sir, if the Government had followed this advice of making a substantial investment in the Government of India sterling securities, we would be benefitted very largely and the finances of the Government of India would be placed on a very satisfactory footing. May I point out, Sir, a press report which has just appeared today? Sir Arthur

McWatters, who was our former Finance Secretary, has made a statement in England. He has stated that the prospect of the introduction of reforms in India either in the centre or in the provinces is very far off because of the fact that we have not got the finances necessary to establish the reforms. When I pointed out the same facts on a non-official day, the Honourable the Leader of the House took me to task for saying that I did not expect the reforms till 1940. Then I said that it was not my personal opinion but that I simply got this impression from the statement of the Secretary of State. I draw attention to it now in order to say that if there is no chance of the reforms coming in and if they are to be retarded, then it is no good starting a Reserve Bank now and allowing all that money which we have got in England to be let out at such a cheap rate of interest. If no reforms are coming, if we are not going to get responsibility in the centre, it is no good starting the Reserve Bank now. We can utilize that money just to cancel our sterling debts and amass sterling afresh.

May I say, Sir, that India expects that the Government should make a definite rule that all the maturing sterling securities must be paid either from cash balances or from borrowings in India? We wish to introduce a definite rule that there should be no more sterling borrowings. I should also like to make a suggestion that pensions of future entrants should be on the rupee basis. That is the only reply which any self-respecting country can give to the action which the Secretary of State has taken in the White Paper in refusing the right of India to tax the pensions of its own employees when they go back to England. We have been told that the territorial limitation of the Indian Legislature debars it from imposing this taxation. But does the Honourable Member realize the fact that under the Indian Penal Code, sections 2 and 3, they have provided for extra territorial jurisdiction of the Indian Legislatures? If any Indian subject or subject of His Majesty's Government resident in India commits a crime outside India, he is liable under the Indian Penal Code to be hauled up in the courts of law in India.

THE HONOURABLE SAIYID RAZA ALI : But pensions will not come under the provisions of the Indian Penal Code, will they?

THE HONOURABLE MR. HOSSAIN IMAM : No, Sir. But if one thing can be done, there is no bar to the Legislature passing an Act of that nature. That is what I am urging. If the Indian Legislature can pass the Indian Penal Code, it can also pass an Act that any money drawn from the income of India, wherever it is drawn, shall be liable to Indian income-tax. If that were to be the order of the day, the Treasury benches would be in a position to remove the 25 per cent. surcharge which is crushing all the industries of India.

Sir, the contraction of currency has gone too far. Government started inflating, or rather I should say, controlling expansion of currency, and we welcomed it as a move in the right direction. But we find that the high mark which was reached about the third quarter of last year is slowly going back and Government are again trying to contract currency. This has a very bad effect on the market. No doubt there is abundance of money at the centre; no one can deny that. But in the outlying districts, money is not to be seen. It is scarce and if any illustration is required it is furnished by the fact that since we went off the Gold Standard, we have exported gold to the total value of Rs. 180 crores without even a quarter expansion in the currency. That means that the Government is trying to curb the outflow of the medium of exchange and thereby materially reducing the purchasing power as well as



[Mr. Hossain Imam.]

internal prices. In India the internal price is also a matter of great importance; as a matter of fact, three-quarters of our produce is consumed in the country and only a quarter finds its way outside, and it will be realized that any dearth of means of exchange of the rupee available in India causes a fall in prices and keeps them down at the level at which they are at the present moment. I would have liked to reduce the sinking fund further than what the Honourable Finance Member has done, and when I make the suggestion I wish to state plainly that the reason for it is that the Government has never utilized this either to reduce duties or to make provision of the orthodox sinking fund type. It is no use giving them money to be squandered in other ways. I think if we reduce it to contractual obligations we will take away by that much of their power to waste.

I now come, Sir, to the subject of the capitation charges. The Government no doubt deserves to be congratulated on whatever little they have got. But we cannot forget the fact that the handling of this affair was anything but above-board. His Excellency the Commander-in-Chief in his speech the other day accused us of economizing the truth—

6 P.M.

THE HONOURABLE THE PRESIDENT: I do not think he accused any Member of economizing truth. He only said if such and such a thing happened he would say it is only economizing truth. I do not think you are correctly interpreting His Excellency.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, be that as it may, we can say that we find a great deal of strength and consolation from that speech of his. We find that he has himself admitted that full justice to India has not been done. He says that India has not received more than what she deserved, that she did not receive even what she ought to have secured. Sir, the fundamental reason for our objection was that in this case the non-officials were excluded, and because of that I made specific charges that certain things were not brought before the Tribunal. One was that the fact that no part of the British Empire pays capitation charges is nowhere discussed in the Capitation Tribunal's Report; the fact that Britain maintains an army in Egypt without the War Office recouping itself for it has not been placed before the Tribunal; the fact that there is no receipt under the heads of health insurance, unemployment insurance, contributory pensions from any other colony or any dependency by the War Office was not brought before the Tribunal; and still we are accused of having built up our case on a cloud of suspicion. It is said that we, the Members on this side of the House, are having recourse to *ex parte* pleadings. We are accused of having won the game and still wanting to file an appeal. The fact is that the basis on which this matter has been fought out was wrong. We do not want to ask for any benevolences from the Government of Great Britain and beg for this or that payment; we refuse to accept any *largesse*. We want our rights and nothing but our rights. If we are a member of this Commonwealth I claim it as our right that we should only pay the amount which is being charged to other members of the Empire, and if that had been the basis, instead of getting a grant of £1½ millions we should have been excused from making payments aggregating Rs. 3½ crores. In this connection I should say I gave undue credit to the British Government for having reduced our expenditure on capitation charges by 71,000 or 75,000—I forget the figure. When I looked into the demands for grants I found that the Military Financial Adviser says that during the year 1934-35 on account of

payment from Britain we will be able to reduce our expenditure on capitation charges by Rs. 182 lakhs. Knowing that the British Government has given Rs. 2 crores as a subvention to India we are driven to the conclusion that Rs. 18 lakhs additional expenditure has been incurred on capitation charges.

**THE HONOURABLE THE PRESIDENT:** May I remind the Honourable Member that we have only very recently threshed out this matter by way of a special Resolution and I do not think the Honourable Member need elaborate that matter further ?

**THE HONOURABLE MR. HOSSAIN IMAM:** May I say a few words about the provincial jealousies which I very much regret to find in this House ? It is necessary, Sir, that Indian representatives in this House should realize two things. They should never forget that they come from the provinces and they should never forget that they are Indians. As long as we have a partiality for and we each concentrate on our provincial concerns, so long will the Government always succeed in dividing and ruling us. It is only by presenting a united front that there is any salvation to be found for India. In this connection I should like to remind the House that the case of Bengal was of a special nature. The troubles of Bengal are not of its own making. The permanent settlement is not the work of the Bengal Council or of any responsible Bengali. It was an all-India affair, and the Government is responsible for having so circumscribed the resources of Bengal and Bihar that they cannot find more money. Since the trouble was created by the Government of India, it is only natural that the Government of India should now come forward and help Bengal to find it. Honourable Members must realize that for the last two years that province has been running at an enormous loss. The Honourable Member from the Central Provinces made some remarks about the generosity of the Government to Bengal and about partiality. I wish he had realized the fact that his own province is living on others. It is only the income of Bihar which enables the Central Provinces to find a way to meet its expenditure. The Honourable European Member from Bombay also drew a pathetic picture of the worries of Bombay and wanted our sympathy and our help. (*An Honourable Member:* "He is not in his seat.") But there are other Bombay representatives in this House. Sir, Bombay has shown a very petty-minded spirit in this matter. The resources of the Government of India were good enough to fill in the pockets of Bengal as well as Bombay. If they wish to have anything they ought to have claimed something on the merits of their own case rather than go and attack other provinces for having got this good fortune. I was rather surprised that the representative of Bombay drew our attention to the Lloyd Barrage and the Back Bay Reclamation scheme. I thought they were the black spots in the administration of Bombay which thoughtlessly embarked on experiments without weighing the *pros* and *cons* of the affairs. It was really copying the methods of the Government of India which always embarks with impunity on items of expenditure without caring for the losses, but they have ample resources and Bombay has not and they ought to have no grievance for something being granted to others.

Sir, the question of Kathiawar is one which deserves every support from all interests of the House. I would like to remind the House as well as the Finance Secretary that I tried to do my bit in this connection and as far back as 1932 I gave notice of a Resolution on this subject that this was a menace which might very well kill not only Bombay but also affect Karachi, but for some technical reason it was disallowed ; then, Sir, during the discussion on the

[Mr. Hossain Imam.]

second Round Table Conference I drew pointed attention to the fact that it was a wrong policy to leave that loophole for goods to come into India duty-free. It is not a question of Bombay alone, but it is an all-India question. The fact that we have allowed the privilege to a country to export goods not of its own manufacture, not of its own produce, but coming from other parts of the world duty-free is something which, if it has been increasing during the last three years, will become a menace to the whole of India. Sir, we could without any difficulty discuss and denounce the trade treaty with Japan. Can we not do something in connection with this treaty under which we are bound to admit goods free of duty in India?

Sir, I am about to conclude, and in this connection I simply wish to make an appeal again to the Finance Secretary and the Honourable the Leader of the House to show some magnanimity towards the Universities of India. Last year I drew the attention of this House to the fact that while the ten per cent. cut was removed throughout India, two Universities, the Benares and Aligarh Universities, were the only unfortunate bodies that were still subjected to the ten per cent. cut. The amount of money involved in it is so small that it looks ludicrous for the Government to insist on stopping that small amount. Rs. 30,000 is the amount which has been deducted from the grant of the Benares University and Rs. 30,000 from the Aligarh University, though I am very glad that late in the year as a special reward for the retrenchment measures carried out in one university the Leader of the House did allow a contribution of Rs. 15,000 out of that. But we expect that this exceptional measure that was taken last year will not become the ordinary measure and that these two Universities will not be subjected to a cut of more than five per cent. Even that is too much.

In the end I should like to ask Government to do something for the rice export business. I am in entire agreement with what fell from the Honourable Member from Burma. The eastern provinces are suffering greatly on account of the Government's action and it is only fit that we should get a part of the export duty or that it should be abolished. And I should like to stress this that as we have a heavy import duty on wheat, there ought to be a heavy import duty on rice as well. All the eastern provinces including Madras are interested in this. It will come as a general help to all the agriculturists.

With these words, Sir, I conclude my remarks.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal: Non-Muhammadan): Sir, before the Bill is passed increasing the burden of taxation I would like to speak out my mind, as otherwise being an elected representative of the people of this country in this House I will be failing in my duty. Sir, I reiterate the sentiment expressed by my friend Mr. Ranga Iyer last night in the other House saying that "Sir George Schuster may come and Sir George Schuster may go, but taxation will go on for ever". With every Finance Member who comes and goes the condition of Indian finances becomes worse because only such men are selected from England to be Finance Members of India, who would be able to manipulate the Indian tariff and exchange in such a way as to confer benefits on England, no matter whether Indians live or die. India is a conquered country and her people must live to be hewers of wood and drawers of water for the conquerors. Sir, I do not mind about this position but my only objection is that the taxes are increased year after year, poor people are being crushed to death with heavy taxation, but we are told by our white masters that increased taxation

is required for the good of India, as otherwise India's credit will be lowered. Emergencies come and go in other countries but if an emergency once makes its appearance in India, it gets a permanent foothold here. Emergent taxation was proposed in the Finance Bill of 1931 to stabilize India's credit in the world and in the name of that emergency we were asked to agree to a surcharge of 25 per cent. on all taxes. Synchronizing with this taxation we were told that Government is trying their level best to reduce their expenditure as well. Emergency of surcharge remained but emergency of reduction of expenditure probably has vanished, because we find nothing as yet has been done to reduce the pay of the heaven-born imperial services for lowering the cost of top-heavy administration. The concessions known as the notorious Lee concessions sanctioned for implementing the income of the already paupered imperial services, have not yet been withdrawn, though the price level of all commodities have come down more or less to pre-war levels. The emergency of sanctioning the concession at a time when the prices were abnormally high has passed; but in the usual ways of the bureaucracy, measures adopted for meeting emergencies are always made a permanent feature of the Indian administration. People are already groaning under the heavy burdens of taxation imposed in 1931 and we were told then that those measures of taxation were merely temporary measures during emergencies. Sir, the emergency for which those measures were adopted were not a sole feature of the Indian finances but it was prevalent in all other countries of the world. All other Governments of the world took emergent measures for meeting the world-wide depression, but the only difference between India and other countries is that the emergent measures adopted by them have by now been withdrawn, whereas taxation once increased in India is maintained as a permanent increase. The present Finance Bill and other Bills are proposing a further taxation on the people of India who are the milch cows of our tin gods. India must sacrifice all for increasing the comforts and conveniences of her so-called imperial services. Since the political awakening of India, she began by demanding the reduction in the cost of her top-heavy administration and failing to get any remedy in that direction she agitated for constitutional advance with the idea of getting some control over her administration by which she could reduce her cost of administration and thereby relieve the people of their taxation. The reforms came from time to time and they all proved to be Dead Sea apples to India. The cost of administration has been raised with each reform and the cost of her services has been increased by bribing them in the form of the Lee loot and reserving their control in the hands of the Whitehall mogul. I will not be surprised if, on the eve of the coming reforms, the services are again bribed by way of further increase in pay and other concessions. Then, Sir, in coming to the army of occupation in India, nothing substantial has been done to reduce army expenditure. The reductions which have taken place are not due to any reduction in the strength of the army in India, but are due to windfalls, like the reduced rate of interest prevailing at present, the reduction in the price level of articles and the contribution of a few crores by the Home Government, for sharing a portion of the cost of the Indian Army, which is really needed to be kept at its present level for imperial purposes. Indianization as commenced only serves as an eye-opener to us, that we should not expect anything in that line. Sir, the House will probably enjoy if I say that officers of military grass farms are required to be imported from England to come to India for growing grass in this country for the cattle maintained for the Indian Army. Officers are required to be imported from England for the military dairy farms to teach an agricultural country like India the business of dairying. Unless and until a substantial reduction is made in the army we can never be a willing party to the proposed taxations in the Finance Bill.

[Mr. Jagadish Chandra Banerjee.]

This is not all, Sir. The army expenditure may very well be reduced by raising volunteer militia corps in the different provinces not in the form of the present territorial force but purely on the principle of volunteer services. It is not long ago, Sir, that the Bengal Legislative Council including both officials and non-officials adopted a Resolution for raising a permanent battalion in Bengal and I would like to appeal to His Excellency the Commander-in-Chief to give his serious and favourable consideration in the matter. This will certainly go a great way to solve the problem of unemployment in Bengal and of the Bengali youths who were going astray in pursuit of activities of a dangerous character.

In regard to the postal rates I am surprised to find that the rates increased during the war as emergent measures are being maintained at that level. It is high time that Government should realize that the advantages of the penny postage introduced in India, was one of those benefits of British rule, which paved the way for the stabilization of British rule in India, and the present Government intoxicated with its unbridled power do not care for the goodwill of the subjects and the ruled. They raise taxation whenever it suits their convenience. In the present Bill Government has come forward with a suggestion of reduction of envelope rates which neither helps the rich nor the poor. The rich men would never care to write letters on paper and envelopes weighing half a tola for being charged a pice less than the rates for the ordinary envelopes. It does not help the poor because they very seldom write letters in envelopes. In regard to the taxes on income this lowering of the taxable income to Rs. 1,000 as an emergency measure has been continued even in the present Bill. Sir, it is a pity that Government, enthroned on a high pedestal of autocratic power, never care to feel for the poor taxed. The officials getting fabulous salaries, only obtainable in India, can never feel how much a few rupees by way of such taxes hit the poor and their families. To my knowledge middle class families hit by this tax had to deny themselves and their children some of the necessaries like medicines and invalid diets. The more I think about these things the more inclined I feel to think that the present administration is lifeless and too wooden and too impervious for kindness and generosity to percolate into their hearts.

Before I conclude I once more take this opportunity of congratulating the Honourable the Finance Member of the Government of India for proposing relief to the Government of my province. Sir, in this connection His Excellency the Governor of Bengal deserves no less to be congratulated as His Excellency by dint of his strenuous fight and cogent reasonings compelled the Government of India to give back the half of the jute export duty to Bengal which was her legitimate due. I hope His Excellency will redouble his fight in getting back the other half as early as possible. Sir, in this connection I can not let go unchallenged some of the remarks made by some of my friends during the general discussion of the present budget, of which the Finance Bill only forms a part. My friends from Bombay objected to the refund of this duty to my province and demanded on the contrary her share of the income-tax. Sir, I would have been very glad to support my friends from Bombay had they not flung their pin pricks against already overburdened Bengal. In this connection I would remind my friends from Bombay not to forget about the huge sums of money sunk in the Back Bay scheme and the Sukkur Barrage scheme from central revenues. Did Bengal object to such grants? Further, when protection to the steel and cotton industries were granted, did Bengal raise any objection, knowing full well that she would have to bear the brunt of the tax being consumers?

**THE HONOURABLE MR. MATHURA PRASAD MEHROTRA:** What about the United Provinces and Madras ?

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** I am surprised to find that the United Provinces and Madras also strike a similar note.

May I with all seriousness ask my friends from Bombay to calculate as to how much the consumers of Bengal paid to the Bombay capitalists by way of indirect taxation ? Sir, my friends from Madras also raised objections against this refund from central finances to Bengal. I would only remind them not to forget the crores from central revenues sunk in the Vizagapatam Harbour scheme, which is solely for the benefit of my friends from Madras and no one else.

**THE HONOURABLE SIR KURMA VENKATA REDDI:** Question ?

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE:** Why should other provinces be jealous of Bengal, who is not jealous about any others at all ?

Sir, I once more reiterate my appeal to the Government of India to impress upon the Government of Bengal not to kill the nation-building departments in order to pamper to the already pampered Police Department in my province. My friend Mr. Bijay Kumar Basu, whom I do not see here today, the other day for satisfying his constituency, the Treasury benches, saw the red rag of terrorism in that statement. In the exuberance of out-heroding Herod himself, he probably forgot that His Excellency the Governor of Bengal in one of his public speeches, probably in Dacca, expressed the desire to get back the export duty on jute for fighting unemployment in Bengal and to allocate more funds for the nation-building departments. I, being an elected representative have got my duty towards my constituency, the public of India. I cannot be expected to repeat the masters' voice as my friend being a nominated Member could do. Sir, I wonder how he thinks that my criticism about the allocation of more funds to the Bengal police encouraged terrorism and if he by his ingenuity construed that meaning he is altogether mistaken. I desire as much, if not more, to see the prevention of terrorism and its suppression, but not by oppression as he would like to see. I would like to see the Police Department as best fitted as possible but not to the detriment of other nation-building departments in charge of Ministers. I was surprised as to what made my friend take the pampering of the Police Department and the suppression of terrorism to be synonymous. A smaller police force, well trained and disciplined like the Scotland Yard police, would have prevented terrorism better than the huge pampered Police Department of Bengal. I know as much as my friend Mr. Basu knows, that my stake in the country is no less, if not more, than that of my friend ; I desire peace in the country more than my friend who belongs to a profession which thrives only on quarrels and litigations. My friend's objections to the allocation of more funds to nation-building departments in Bengal were probably due to the fact that the Ministers in charge of such departments in Bengal are Muslims whom he would not trust, himself probably being a Hindu Sabhaite.

Sir, the principle of placing the Finance Bill annually before the Legislature is to give the people and their representatives the power to refuse supplies before their grievances are redressed. Against the present Government our grievances are too numerous to detail. The enquiry envisaged in the Government of India Act has not yet been finished. Commission after commission comes and goes, wasting fabulous sums and making individual English people

[Mr. Jagadish Chandra Banerjee.]

richer, but without producing any tangible good for the country. Everybody knows, be he a Congress man or otherwise, that the predictions of the Congress are going to be true regarding their statement that England do not desire to give any power worth the name to the Indian Parliament. The result will be the increase of the faith of the people on the Congress *bona fides*, than on the *bona fides* of the English rulers. The rich are groaning under income-taxes and land revenues, poor men are being crushed by taxes on kerosene, salt, matches and other necessities and the middle classes are groaning under the increased postal rates and unemployment. Only the British officers and their henchmen are happy folk under the present system of administration.

Sir, I have nothing more to add but once more I would appeal to Government to take serious steps for the reduction of expenditure, both in the civil administration and the army administration, by reducing the strength of the highly paid officers and by substantially reducing the pay of the higher services who are paid salaries unthinkable in other countries. If expenditure is reduced the taxation proposed in the Finance Bills year after year can very well be brought to the pre-war level.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member): Sir, we listen year after year to the long tale of grievances before the House is prepared to pass the Finance Bill. These grievances are, during the course of the forthcoming year, very carefully read, tabulated, noted upon, investigated, sifted, and enquired into. That takes, I may assure the House, the larger part of the year to do. The Finance Department are marking with red ink all the suggestions that Honourable Members have made in the interests of economy and reduction of expenditure, and whenever any scheme is put before them either in the interest of public health, for instance, or education, or any other sort of expenditure, they are able to quote every time the speeches of many Honourable Members saying that in the interests of the taxpayer no such expenditure should be allowed, with the result that the Honourable Members of the Government of India feel themselves entirely helpless. Therefore, whenever some of the Honourable Members begin to say here that such-and-such a thing has not been done, they have only to thank their own colleagues who have made it impossible for any of us to stand up for our proposals.

I am sure, Sir, the House does not expect me to take up the various points relating either to my own Department or to the departments of my colleagues. If I take up the case of public health, which is one of the various subjects belonging to my portfolio, I may go on talking till the small hours of the 29th of March without having arrived at any very clear proposal as to what I intend doing. But I can certainly repeat the assurance already given that all these points, which have not already been disposed of very recently, are gone into by every department, and even those which have been decided quite recently, stand a fair chance of being taken up again unless they are crowded out by the new year coming in too soon.

THE HONOURABLE MR. J. B. TAYLOR: Sir, the shortness of notice does not seem to have operated as a very serious handicap on the eloquence or resilience of Members of this Honourable House. We have always to be prepared for this to be a somewhat melancholy day. It is the one day in the year on which the Finance Department presents its little bill and anybody who presents a bill can never look forward to a particularly warm welcome. Items which have support earlier are grumbled at when the cost comes to be paid.

I shall, however, Sir, at this late hour merely go through some of the more important points of general interest which were raised during the course of this long and interesting discussion.

The Honourable Mr. Kalikar possibly took the broadest ground of attack of all. He produced three canons of taxation which he had learnt in his early days and he proved to his own satisfaction that our budget failed to satisfy them. Sir, that may be all right for the political economist, but unfortunately, the officers in charge of a department like the Finance Department have one canon which comes first, and that is, they must get the money. These canons are all very well, but they are satisfactory only in so far as they secure the money which we require. Our policy, Sir, and I am convinced that the India of the future will realize that it is the right one, is to pay our way as we go. There are other countries like the United States, France and Japan, which are catering for the present with enormous budgetary deficits, and for the present, so far as one can see, things are not so particularly bad with them. But all the experience of the past shows that the reckoning has to be paid in the long run, and that it is the wisest policy to pay as you go. Even so, Sir, from my own recollection of political economy, I think that our present taxation does meet the most essential canon which is that taxation should be spread so as to cause the least disequality to the greatest number of people; in other words, to broaden the basis of taxation. Undoubtedly the last five years have shown that our customs tariff has grown to an extent at which it has possibly attained its maximum, or possibly gone above that maximum, of usefulness, and in order to broaden our basis we have to supplement it with excises. From that point of view I think that even on the strictest theory of political economy our policy of excises, which we will develop later when dealing with the Bills on those subjects, is justified.

I now turn to the Honourable Mr. Glass and the familiar claims of one province *versus* another. He twitted us with not being logical and I admit that like every practical problem our action is not governed possibly by the strictest rules of logic. It is very easy to be critical and to accuse one's opponent of lack of logic. If it were not such a late hour I would be tempted to indulge in a little destructive criticism of the opposite benches on the ground of lack of logic. The Honourable Mr. Mehrotra for instance, indulged in an eloquent diatribe against taxing the poorest of the poor, and then went on, in the same breath almost, to suggest an increase in the taxation of rice, a product which is notoriously only consumed by the idle rich! (Laughter.) He then went on to say how wrong it was to have excises, because the proper course was not to tax production but to tax the income which people derive from production. Quite so. He then went on to say we ought to tax the export of gold. Why, on this assumption should we not be content with taxing the income derived by those who export the gold? And similarly with Mr. Hossain Imam—but he would deserve a speech to himself. Sir, the Honourable Mr. Hossain Imam reminds me of a legend of my youth, that drowning men are supposed to pass in review the whole of their lives in the twinkling of an eye. I have listened to him on many occasions and on each occasion he seems to pass in review all his previous speeches but unfortunately not in the twinkling of an eye! Sir, I do not propose to follow him in his ingenious ramifications through the complicated system of accounts of the Government of India. I told him on a previous occasion that those points which deal with the complexity of our accounts are much better elucidated either in the form of question and answer or in the form of private conversation. I should be only too glad on any occasion on which he wishes to see me to try to explain to him any of the conundrums arising out of the vast and complicated system of accounts



[Mr. J. B. Taylor.]

like those of the Government of India. For instance, Sir, he has made play with what he calls a discrepancy of Rs. 44 crores in our debt statement. It would take me too long to explain how that apparent discrepancy arises—of course it is not a real discrepancy. It is due in part to certain items being shown at their nominal value instead of their actual value. The nominal loss on account of our sales of silver also accounts for about Rs. 34 crores. Similarly, he compares our sterling expenditure in 1921 with that of last year—that can also be explained, but it can only be explained by going into detail and I am afraid that I have not got all these matters at my fingers' ends, nor do I believe that the House would be interested if I went through them in the detail necessary for a proper elucidation.

Sir, I do not wish to go into much detail on this provincial question. As I said, our attitude possibly is not strictly logical, but we claim that it is practical. There are several provinces which are in difficulties, and it is all honour to them that they are uniformly doing their best to stand up to those difficulties. Bengal also is doing its best. Bengal has had a harder task possibly than any of them on account of its particular difficulties. It is impossible to lay down a simple rule of thumb, to say this must be done and that must not be done. We claim that we have dealt with it as a practical problem and as such we claim that our proposals give the greatest common measure of fairness all round.

Now, Sir, I do not wish to go into more detail on the numerous points raised, but I would like to say that on a general review of the position I do not myself see how any further large retrenchments are possible. The old familiar horse of army expenditure has been flogged once again. So much has been said about it that the other day I thought I would take out figures for my own information, and they may be of interest to this House. I compared the expenditure of the Government of India together with the provinces in 1903, again in 1913, in 1923 and again for 1933—that is, the last four ten-year periods. The actual amount of military expenditure in 1903 was Rs. 27 crores. It rose to Rs. 30 crores in 1913, Rs. 56 crores in 1923 and was down to Rs. 44½ crores in 1933. The percentages to the total are as follows :

33·35 per cent. of the total in 1903,

30·87 per cent. of the total in 1913,

31·68 per cent. of the total in 1923,

which is obviously on account of the large pension and other non-effective charges inherited from the war ; and it is down to 26 per cent. in 1933.

The charges on account of the unproductive debt came to 4·31 per cent. in 1903 and 2·89 in 1913 ; they rose to 9·91 in 1923, obviously as a result of the expenditure incurred during the war ; and now stand at ten per cent.

The most important feature, however, is the growth of expenditure on what may be called the nation-building activities, and this I think will be more interesting to the House. The amount spent on education, medical, public health, agriculture, industries, scientific departments (all those activities that are known as nation-building) was Rs. 4,11 lakhs in 1903 and rose to Rs. 21,45 lakhs in 1933, the percentage of the total rising from 5·05 to 12·65. I do not think, Sir, that in the light of these figures it is possible for anybody to argue that the proportion which military expenditure bears to the total is excessive in comparison with the strategic position of India or that it would be possible for me to express any hope that the proportion can be further materially reduced.

In that event, if more money is to be spent on nation-building, it seems to me that it must be found sooner or later from additional taxation. Or I might put it in another way, that if the country is to develop, more of the individual's income must be spent on common purposes. I do not wish to dwell at length on this aspect of the question. It has been discussed very eloquently by the Honourable Sir Nasarvanji Choksy, who drew a very vivid picture of the state of public health in India. Sir, if money is to be found for these activities it can only be found directly or indirectly by the individual contributing a greater share of his private resources to common purposes. I do not wish to press the point further than that, but that I think that is an inescapable conclusion. The Honourable Mr. Kalikar at the conclusion of his speech said that he and his Party would be willing to co-operate in the future with some popular Ministry if that popular Ministry desired more taxation. On the latter point I can assure him in advance, if my experience of the finances of this country is worth anything, that a popular Ministry will want more taxation. But Sir, if that is his attitude, why is he withholding his co-operation now? The need is pressing. The country is undoubtedly being starved of numerous beneficial activities and it must face hard facts. As I have said, I think that further retrenchment on any serious scale is impossible. We are running on the barest margin now and I see no hope for it but to broaden the base of taxation, if we are to broaden our activities. As a constructive attempt to recast the Indian taxation system in a manner which will spread the burden in the fairest way over all sections of the country, rich and poor, I commend this Bill to the consideration of the House.

**THE HONOURABLE THE PRESIDENT:** The Question is :

“That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to fix rates of income-tax and super-tax, further to amend the Indian Paper Currency Act, 1923, and to vary the excise duty on silver leviable under the Silver (Excise Duty) Act, 1930, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT:** The next stage of the Bill will be taken up tomorrow.

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The Council then adjourned till Ten of the Clock on Thursday the 29th March, 1934.



## COUNCIL OF STATE.

*Thursday, 29th March, 1934.*

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The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

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### INDIAN FINANCE BILL, 1934—*continued.*

THE HONOURABLE THE PRESIDENT: We will now proceed with the detailed consideration of the Bill. The Question is :

“ That clause 2 stand part of the Bill.”

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): Sir, I beg to move :

“ That in clause 2 of the words ‘ manufactured in, or ’ wherever they occur be omitted.”

The object of this amendment is very simple, and it is this. The people who can manufacture salt for their own personal use may be allowed to do so free of duty. Sir, as we know the manufacture of salt is a very easy thing and it can be manufactured in different ways. Why should we put a tax on a man who spends time and money for the manufacture of salt for his own use ? Of course if he does manufacture it for trade purposes, for the sake of earning money, I have no quarrel with the Government ; they may levy the excise duty. But when one does so for his own personal use he should be allowed it free of duty. We all know that on account of this very principle Mahatma Gandhi led the famous campaign of Dandi and more than 60,000 persons volunteered themselves for jail. We all know how popular this movement was and how it led to the great popularity of Mahatma Gandhi. Instead of debarring people from manufacturing salt for their own use the Government ought to make it as cheap as possible, so that one may not be tempted to manufacture it. This is the right thing, but to debar a person from manufacturing it for his own use, I beg to submit, is not proper, and therefore I have moved this little amendment. I do not think that many persons will be coming forward to manufacture salt and it will not affect the revenues of the Government very much, so I hope they will see their way to accept this amendment of mine.

THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary) : Sir, I was not quite clear until the Honourable Mr. Mehrotra spoke what precisely he was intending by this amendment. His little amendment, so far as I can see very cursorily, will involve a loss to Government of Rs. 6½ crores. I am also somewhat doubtful whether the people who manufacture salt in India to the extent of a taxation of Rs. 6½ crores can be said to be manufacturing for their own consumption. If so, I should think the result on their digestive organs must be somewhat alarming. Sir, in any case I am doubtful

[Mr. J. B. Taylor.]

whether his amendment would have the effect of total abolition which he wishes. This clause proposes an addition to the duty. The amendment would merely reduce the duty to what it was before, but I think that it is not necessary to discuss this amendment in detail. I have pointed out that the financial effect and the whole scope are very much wider than he apparently contemplates, and I therefore hope that the House will reject it.

THE HONOURABLE THE PRESIDENT (to the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra who rose in his place) : You are not entitled to reply on the amendment.

Amendment moved :

"That in clause 2 the words 'manufactured in, or' wherever they occur be omitted."

The Question is :

"That that amendment be made."

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

"That in clause 2 the words 'and four annas' be omitted."

The object of this amendment is to reduce the tax from Rs. 1-4-0 to Re. 1 only. Honourable Members will remember that when the Finance Bill was put up last year I moved a reduction of the tax from Rs. 1-4-0 to ten annas only, that is by half. This year, Sir, considering that the Government may not like to reduce the tax so much I have put a very modest amendment to reduce the duty by four annas only. Sir, the history of the salt tax goes back to not less than 30 years, and agitation has all along been carried on for this. The Government also some times raised the duty and some times reduced it when forced by public agitation. As far back as 1903 the duty on salt was eight annas only. It was in 1915-16 that the duty was raised from eight annas to Re. 1. This duty was kept up by the Government till 1922-23, when the Assembly backed by the general opinion abolished the duty altogether ; but, Sir, His Excellency the Viceroy certified this tax and it was levied at Rs. 1-4-0 in 1922. Since then it continued at that rate but again the hands of the Government were forced in 1929 and they saw their way to reduce this tax from Rs. 1-4-0 to Re. 1 for which I have moved this amendment. Sir, the Government kept this duty for a full year at Re. 1 from 1929. In the following year the Government again raised it to Rs. 1-4-0 which is being continued up to the present day. The agitation went on and, as I have said in my previous amendment, this was taken up by Mahatma Gandhi and other people. Sir, since 1931 the Government has also fixed a surcharge of 25 per cent. So on paper the duty is Rs. 1-4-0 but if the surcharge is to be added to this duty it comes to about Rs. 1-9-0 at present. We all know, Sir, that salt is not a commodity of luxury but is a commodity of necessity and even those people who can get one meal a day cannot do without salt. They have to use it. The people who do not get sufficient clothing to cover themselves and who expose themselves to the vicissitudes of the weather, whether hot winds or cold winds are blowing or whether it is raining, cannot afford to do without salt. Therefore, Sir, it is only in the fitness of things

that the Government should see their way to reduce this duty as I have proposed. Sir, my views about this salt tax are supported by the comment of the Secretary of State in 1930 on the Administration Report of the Government of India. The Secretary of State commenting on that report said :

"I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the salt duty", and went on to say, "While I do not dispute the conclusion of your Government that such an increase was under the circumstances unavoidable, I am strongly of opinion that it should be looked upon as temporary and that no effort should be spared to reduce the general duty as speedily as possible to its former rate".

It was, Sir, in connection with the raising of the tax from Re. 1 to Rs. 1-4-0 that he commented in this way. Later on, he said :

"I will not dwell on the great regret with which I should at any time regard the imposition of additional burdens on the poorest classes of the population through the taxation of a necessary of life. But apart from all general considerations of what is in such respects right and equitable, there are, as Your Excellency"—he was writing to His Excellency the Viceroy—"is well aware, in the case of the salt duty in India weighty reasons for keeping it at as low a rate as possible".

Later on, Sir, if I may quote one sentence more with your permission, he said :

"The policy enunciated by the Government of India in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interests of the people and of the public revenues were identical and that the proper system was to levy a low duty with unrestricted consumption".

These, Sir, were the comments of the Secretary of State, the highest official connected with the Government of India and not the words of non-co-operators or responsive co-operators like ourselves.

Sir, with your permission, in support of my contention I would also like to quote one or two sentences from "The Government of India" by the Right Honourable J. Ramsay MacDonald. Commenting on the salt tax, he writes :

"The salt tax has long been regarded as a blemish on our Indian fiscal system",

Later on, in the same book, he says :

"The salt tax is exaction and oppression ; and if the people understood it, it would only breed discontent. It is a survival of the general exploitation of India's poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India, of assuming that the political wisdom of a western self-governing State is also political wisdom in an autocratically or bureaucratically governed one, and that a bureaucracy has the same right to impose burdens on a people that a representative Legislature has. The payers of the salt tax have no more to say in Indian policy than the man in the moon, and the price of their salt has no more influence on the bureaucracy than the cost of their weddings".

Sir, these are the remarks of one of the greatest authorities in England.

THE HONOURABLE THE PRESIDENT : When was that book written ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : This book was written about 20 years ago. But if it was true then it is true now. And therefore I have quoted from it. I hope the

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Government will see their way to reduce this tax, at least at the earliest possible opportunity. And therefore, Sir, I have moved this very moderate amendment for the reduction of the tax from Rs. 1-4-0 to Re. 1.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I do not wish to follow the Honourable Member in his detailed exposition of the history of salt taxation in India, a question which is familiar to you all and which has been frequently debated. I do not think, Sir, however, that anybody can accuse the Government of India of assigning a disproportionately large position to this particular form of taxation in its general scheme. I quoted yesterday some figures of the expenditure and revenue of the Government of India since 1903. I find that in 1903 the amount raised by salt taxation was Rs. 7 crores 83 lakhs. In the current year it is Rs. 8 crores 62 lakhs. As the population of India has increased by about a third since that date and its wealth has increased much more than in proportion, I do not think that that shows that we are relying excessively on this form of taxation. The proportion which it bore to the total taxation in 1903 was 8·93. It has now shrunk to 5·15. In any case, Sir, I regret that we must oppose this amendment because the result would be financially impracticable. It would amount to a loss of practically Rs. 1½ crores and that in itself would be an overwhelming objection, but on broader grounds I would ask you to oppose it because we consider that the salt tax at its present level takes its proper place in our carefully balanced system of taxation. The Honourable Mr. Miller in fact yesterday put forward several arguments to show how it could be increased without any detriment to the country. I do not wish to deal with this aspect of the question but I do think, Sir, that it shows at any rate that the tax is not excessive and that it would be wrong to decrease it while other taxes remain unaltered.

Sir, I oppose.

THE HONOURABLE THE PRESIDENT : Amendment moved :  
"That in clause 2 the words 'and four annas' be omitted."

The Question is :  
"That that amendment be made."

The Motion was negatived.  
Clause 2 was added to the Bill.  
Clause 3 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The Question is :  
"That clause 4 stand part of the Bill."

As this clause is tacked on to Schedule I, the Honourable Mr. Mehrotra will move his amendment regarding the Schedule.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Can I move it now or when the Schedule is taken up ?

THE HONOURABLE THE PRESIDENT : I cannot pass clause 4 till the Schedule as amended is passed,

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I beg to move :

"That in Schedule I in the proposed First Schedule to the Indian Post Office Act, 1898, in the first entry under the head 'Letters' for the words 'half a tola' the words 'one tola' be substituted."

Sir, we are very thankful to my Honourable friend Sir Frank Noyce for giving this little relief by reducing the stamp on letters from one anna three pies to one anna. But, Sir, what he has given with one hand he has taken away with the other by reducing their weight to half a tola. It is very difficult for the public in general to keep weights with them and weigh their letters always before they are posted. I can understand that firms may take advantage of this concession because they have got an organized office and the letters may be weighed before they are posted. But so far as the public in general is concerned, this is practically impossible. Not only is it impossible, but it may lead them into paying the tax twice, because if the weight is found to be more, the receiver of the letter will have to pay a penalty. So it is not of great advantage to the public in general. It will also increase the work of the post offices because it will be very difficult for them to find out at first sight whether the letter is exactly half a tola in weight or a little more. I quite understand that Government are going to make this as an experiment, but the experiment must be based on reasons and conducted on logical lines. You want that letters of half a tola in weight should be stamped with one anna while letters of two and a half tolas in weight should be stamped with one anna three pies. By increasing three pies, you raise the weight of the letter by two tolas. I fail to understand the logic of this scale. I therefore request my friend Sir Frank Noyce, who is here, to see his way to accept this amendment and increase the weight from half a tola to a tola. I do not say that it should be increased to two tolas or more. I have suggested a very moderate amendment and I hope that he will see his way to accept it.

Sir, this reduction has been proposed by the Government after seeing that their policy of increasing the stamps on letters had not brought in more revenue as was expected. The scale of charges for the various services were increased in 1931-32, but this instead of bringing in more revenue resulted in a fall of over Rs. 13,27,000. There was another fall of over Rs. 9 lakhs during 1932-33. Thus, in two years, Government suffered a loss of about Rs. 22 lakhs in the Postal Department. Sir, this contention of mine is proved by the Annual Report of the Government of India on the Posts and Telegraphs Department for 1932-33. In this report Government have practically accepted this. If Honourable Members will turn to page 3 of the report, they will find that up to the year 1929-30 both revenue and expenditure were rising steadily, but the expenditure was increasing more rapidly than the revenue. Later on, they say :

"Due to the economic depression during 1931-32, special measures were adopted to improve the financial situation of the Department".

What was the result ? They say :

"The enhancement led to a serious decrease in the total volume of traffic but this fall enabled the Department to carry out economies which might not have been possible otherwise".

So, they have accepted that the enhancement was one of the reasons of the fall in the revenue. Sir, if Honourable Members will turn to the diagram attached to this report they will find that the circulation of letters in 1930-31



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

was 560 millions. After increasing the rate in 1931-32 it came down to 480 millions, or a drop of about 80 millions in the very first year. In the next year, 1932-33, it again dropped by 20 millions and the circulation was 460 millions. That is, after the enhancement of this tax, in two years, the circulation has dropped about a million in letters. Sir, all this shows that the Government was not right in thinking that the enhanced duty on the letters will increase the revenue. It has proved otherwise, and therefore when the Government is going to make this experiment, I would submit that they must accept this amendment of mine for raising the weight from half a tola to a tola.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, I support this amendment as I consider it very important in the interests of the public and especially in the interests of poor villagers residing in the countryside. There is one point which I would like to make in this connection. The Honourable Sir Frank Noyce is reported to have stated in the other House that next year it was proposed to make further savings in the working expenses of the Posts and Telegraphs Department amounting to Rs. 14 lakhs. I hope I am correctly quoting him. If so, I think that any loss caused to the Government revenues by the acceptance of this amendment can be covered or at least made good by the amount of savings which he expects under the head of working expenses. I hope therefore that Government will consider this amendment favourably.

THE HONOURABLE SIR FRANK NOYCE (Industries and Labour Member) : Sir, this House does not get the same opportunity of probing into the financial condition of the Posts and Telegraphs Department as the other House does, owing to the fact that demands for grants for that Department are not presented to it. In these circumstances, I think it is due to the House, especially in view of what has fallen from the last two speakers, that I should endeavour very briefly to describe the financial basis on which our proposals for reductions of rates have been framed. Sir, the last year for which the Posts and Telegraphs Department showed a surplus was in 1926-27, when it was Rs. 10 lakhs. From that year the deficit on the working of the Department steadily increased, until 1930-31, when it reached the very large figure of Rs. 133 lakhs. The measures which were then taken, especially the increase in the rates charged, improved the position somewhat. In 1931-32 the deficit was Rs. 94 lakhs ; in 1932-33 it was Rs. 42 lakhs ; and according to our revised estimate for the current year it will be Rs. 52 lakhs. The House may wonder why, in spite of all our efforts, the deficit according to the revised estimate for the current year is Rs. 10 lakhs higher than it was last year. The reason is that our working expenses are about Rs. 30 lakhs higher, and the reason for that is that we have restored five per cent. of the cut in pay, which cost us about Rs. 27½ lakhs, that we have had to make heavy payments aggregating about Rs. 15 lakhs on account of concessions to retrenched personnel, that is Rs. 5 lakhs more than the payments we made on that amount in the previous year, and that we have had to meet increments which cost us about Rs. 15 lakhs. Now, Sir, on the basis of strictly comparable figures, the total of these three items together amounts to Rs. 47½ lakhs. So that, if the figures for 1933-34 are compared with those for 1932-33, our working expenses are down this year by some Rs. 17½ lakhs on those for 1932-33. In spite of the fact that we have to go on paying increment charges at the rate of Rs. 12 lakhs, we are budgetting for a

further fall in working expenses and interest during the coming year of Rs. 42 lakhs. But I have to remind the House that this includes the Rs. 27½ lakhs round which we estimate as the net cost of the reorganization in rates we are proposing. We are meeting this by raiding our depreciation fund. The further net savings in working expenses next year are, therefore, as my Honourable friend Rai Bahadur Lala Jagdish Prasad has said, in the neighbourhood of Rs. 14 lakhs. It is important to remember in considering the proposals now before the House that we are still budgetting for a deficit. I shall have a little more to say about that later. What I would like to assure the House is that we are adopting all the measures of retrenchment and other economies open to us. A statement has recently been prepared by my Department which shows that the total saving in pay charges alone which has been effected up to the 31st March, 1934, is estimated at Rs. 8½ lakhs. The magnitude of the savings is also illustrated by some figures given in the administration report to which my Honourable friend Mr. Mehrotra has referred, which show that a salary bill which had been increasing from 1925-26 at over Rs. 28 lakhs per annum actually decreased by Rs. 24 lakhs in 1932-33 as compared with 1931-32. I may perhaps be pardoned for digressing for a short moment to make a special reference to that administration report as it was the last report prepared by my Honourable friend and colleague Sir Thomas Ryan. I should like to take advantage of this opportunity to express in this House my sense of the great loss which the Department and India has sustained by his tragic death and to endorse what you, Sir, so feelingly expressed. He was the head of the Department for only a little over two and a half years, but no Director General in the history of that Department has done more for it during such a short space of time and the work he did for it will remain. As I have said, Sir, we have done our best to economize. We hope that our economies are not at an end. I am not sure whether this House is aware that if the recommendations in the report of the Committee presided over by Mr. Varma, now Financial Adviser to the Posts and Telegraphs Department, on the working of the telegraph branch of the Department are accepted, they should ultimately result in a further saving of Rs. 19 lakhs. We have, however, to go somewhat cautiously in regard to the acceptance of those recommendations. They involve rather drastic changes in the working of the Department and we cannot be sure how far they can be carried out without considerable dislocation of work. We shall, therefore, in all probability have to begin by making experiments in various directions, but we do hope that, in the end, the report of that Committee will bring about considerable economies. Then, there is another Committee which has recently been appointed, and which will be presided over by Mr. Pasricha, late Postmaster General, Bengal, a very able officer of the Department, which will carry out on the postal side the same sort of enquiry that Mr. Varma's Committee carried out on the telegraph side. I would explain to the House that our object in appointing these two committees was not so much to secure economy, though we hope that will be the result, as to secure efficiency. We want to be quite sure that the methods of work adopted in the Department in both branches are brought up to date in accordance with the experience of other countries and in the light of the experience gained by the officers of the Department itself.

Well, Sir, I have dealt with the question of retrenchment at some length, and that brings me to the next point, that in spite of all our efforts we have still to budget for a deficit. It is true that it is a deficit of Rs. 14 lakhs only, but still it is a deficit and Rs. 14 lakhs is a fairly substantial figure; but the position is not quite so sound as would appear from the fact that the deficit is as small as Rs. 14 lakhs. If I have to produce a balanced budget for the

[Sir Frank Noyce.]

Department next year, on the assumption that the five per cent. cut in pay will be restored, that the cost of increments will be met and that the full amount will be paid to the depreciation fund which we are raiding to the extent of Rs. 27½ lakhs this year, our receipts will have to increase by Rs. 81 lakhs. Rs. 27½ lakhs is the amount required for the restoration of the cut, Rs. 12 lakhs is the cost of increments, Rs. 27,34 lakhs is needed for the depreciation fund and there is the Rs. 14 lakhs deficit for this year. That, Sir, I think shows that the financial condition of the Posts and Telegraphs Department is not quite as sound as we could wish and that I should have been justified if I had come before this House this year and said we were not in a position to make any proposals for reduction in rates at all. The reason why I have not done so is that there do seem faint signs here and there of a turn for the better and that we feel that the time has come when we can take a risk. That is the reason, Sir, why we are proposing to make an experiment with a view to test the responsiveness of traffic to rates. What I should like the House to realize is that it is an experiment and that, with the financial condition of the Department as I have described it, we are not justified in doing more than making an experiment. My Honourable friend, Rai Bahadur Lala Jagdish Prasad I think it was, said that a reduction in rates would be definitely beneficial to the revenues of the Department. Well, Sir, we are going to try. Last year we felt that we could not and that the state of affairs was so bad that we could not run any risk. This year it is better and we feel that we can go a little way in the desired direction.

Now, I come to the specific amendment moved by my Honourable friend Mr. Mehrotra who wishes that the initial weight to be carried for a minimum charge of one anna should be increased to one tola. That at first sight does not seem a very big amendment. According to our estimates the cost of accepting it would be somewhere in the neighbourhood of Rs. 5 lakhs. My Honourable friend Sir D'Arcy Lindsay in the Lower House threw considerable doubt on our estimate. He felt that the cost of making the initial weight one tola would be considerably more than we anticipated. He went into the matter with considerable care and I should hesitate to say that his forecast is inaccurate. The point about these forecasts is that they are made by officers of experience in the Department on the basis of the best material they can get, but they are only forecasts and it is extremely difficult to say how far a reduction in rates will lead to an increase in traffic, especially when other factors come into consideration, as I hope they will do this year for I hope very much that the issue will be clouded by the lifting of the economic depression. Our experience is that whatever the initial weight for a letter, the vast majority of the letters fall within that weight, and it is on that basis and assuming that 90 per cent. of the letters will be within the tola weight that we estimate that the loss on the initial weight category will be Rs. 32 lakhs, or Rs. 5 lakhs in addition to that involved in the proposal that the weight should be half a tola. If it is assumed that 95 per cent. of the traffic falls within the initial weight, the additional loss will be Rs. 7 lakhs instead of Rs. 5 lakhs.

Now, Sir, criticism has been made and it has been repeated in this House—that in giving this concession we are giving a purely illusory concession. It does seem to me a little difficult to justify that argument, for we estimate that the concession will cost Rs. 27 lakhs and there is not much illusion about so substantial a figure as Rs. 27 lakhs. Then, Sir, it is said that it is no use giving this concession, because the stationery one will have to use to take advantage of it will be of a very flimsy character. I feel that there is very little in that

criticism. I have here, Sir,—and I shall be glad to show them to Honourable Members afterwards—samples of stationery and envelopes which can be used for the half tola rate, and I may say, as I said in the other House, that the half sheet note paper that I myself use every day of my life falls well within the half tola limit. I should like to mention to this House that I am well aware that the half sheet embossed note paper which is supplied to the Members of the Council of State, when put in its proper envelope, is above the half tola limit. I am taking steps to provide them with paper which will enable them to take full advantage of the concession. My Honourable friend Mr. Mehrotra said,

“What is the use of the reduced rate when the villager does not weigh his letters? He is not in a position to know whether a letter can go at the half tola rate or not”.

I do not think, Sir, that the villager in this country is as ignorant as all that. He is used to buying things in small quantities. I do not think if he really wants his letter weighed, he will have any difficulty in getting this done, especially as I imagine that the great majority of the letters in the villages are written by letter-writers who have scales and weights at hand. In any case, it is not the intention of the Department to have letters meticulously weighed. Every letter that goes through the post office is not weighed. The sorters are so used to the feel of letters that they can tell at once whether a letter is definitely overweight or not. If it is, they throw it out for further action; it is weighed and a surcharge is levied if necessary, but the vast majority of the letters are not weighed. The sorters know within an infinitesimal fraction what letters weigh and therefore the contention that the work of the Department will be increased by this change is, I think, not well founded. Nor do I imagine that the number of letters on which the surcharge will be levied will increase by any appreciable number.

That, Sir, brings me to my last point. I shall have a little to say on my Honourable friend's next amendment in regard to his contention that the increase in the rates has brought about a fall in traffic. I think that is better dealt with when I am discussing the question of the postcard rate because the figures I have here specially refer to postcards. The point I wish to emphasise in conclusion is that, although, as the Honourable Rai Bahadur Lala Jagdish Prasad has said, the cost of accepting this amendment may seem small, its acceptance would inevitably do something to postpone the date when we hope to reduce the postcard rate. That, as I said in another place, is, I know very well, the change in the postal rates which would commend itself most heartily to my Honourable friends opposite. During the last two or three years we have done our best to bring about economies and we shall go on doing all we can to bring nearer the day when we can reduce the postcard rate. It is for that reason, Sir, that I am unwilling to accept this amendment, because when we do reduce the rate on postcards it is going to cost us a great deal, at any rate in the initial stages. And it must also be remembered, though it is a point which is really more relevant to the next amendment, that we could not have reduced the postcard rate this year without reducing the letter rate as well. We should have to take the two together because, when we reduce the postcard rate, there is naturally a very substantial diversion of the letter traffic to postcard traffic. As I shall be explaining presently, Sir, the reduction in the postcard rate to half an anna would cost us Rs. 56 lakhs, and that with the reduction in the letter rate would make altogether Rs. 83 lakhs. I think the figures I have given to the House show that in the present financial condition of the Department we could not hope to compensate the loss of anything approaching that figure by an increase in the total traffic.

[Sir Frank Noyce.]

In conclusion, Sir, I would appeal to the House to let us get on with this experiment. Let us see what results it produces and if our estimates are unduly pessimistic, well, so much the better. Nobody will be better pleased than we shall be. I must confess that I do feel we have got a long way to go before we can get back to the reduction of the postcard rate and, therefore, if the result of the reductions we are now making is to produce a greater volume of traffic than we anticipate, the day when we can do so will come appreciably nearer.

I regret, Sir, that I have to oppose the amendment.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-madan): Sir, I rise to say a few words about the amendment which my Honourable colleague has moved. In doing so, Sir, I do not wish to traverse the ground which has already been traversed. My only point is that at the moment if it is found impossible to give this concession, may we ask the Government to give us another concession. This concession which I want is as follows. The usual practice in the post office is that if a letter is under-stamped, the addressee is charged double the difference. So that if a letter has got a one-anna stamp and it is found to be more than half a tola the result will be that the addressee will have to pay two pice. Can the Government by means of a rule make it so that he will have to pay only the difference between the usual postal rate and this new rate? That will mean, Sir, that people will be saved the worry which is the consequence of double payment. This is my first appeal to the Government.

My second point is that it is difficult for the ignorant villagers to understand what the Government exactly means by half a tola because of the fact that the tola which prevails in India is different from the tola which the Government use. The Government tola is of one rupee whereas the public tola is of one rupee and two and a half annas. This is the reason, Sir, why in an experiment made by him this morning, a Member of this House found that an ordinary letter and envelope with stamp weighed exactly half a tola—an Indian tola, not a Government tola. Therefore, Sir, is it possible to make it a convention, if not by rule, that a slight excess of a quarter may be overlooked. These are the two appeals which I make to the head of the Department.

THE HONOURABLE SIR FRANK NOYCE: I shall be glad, Sir, to have my Honourable friend's first suggestion examined, though I can hold out no hope that it will be possible to accept it. As regards the second suggestion, if I heard him correctly, his suggestion was that an additional weight of a quarter tola might be overlooked. Well, Sir, obviously that would lead to the same difficulties in regard to weightment. We should have to weigh to find out whether the overweight amounted to as much as a quarter tola in just the same way as we have to weigh now in order to find out whether the weight of the letter is more than half a tola. I am afraid, Sir, there is not much hope of being able to meet him there, though, as I endeavoured to explain just now, I do not think the House need suffer from any undue apprehension that there is going to be a vast increase in the number of letters on which the surcharge will be levied.

There is just one point, Sir, that I should have mentioned in speaking just now. I am not sure whether the House is aware that for 15 years in the history of the Department, I think it was from 1854 to 1869, the lowest weight of a letter was as low as a quarter

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\* Speech not corrected by the Honourable Member.

tola ; that is a very long time ago, but for no less than 35 years after 1869 that is to say, up to about 1905, there was a half tola rate in force in the Department. There must be many Members here who can remember that rate. I can remember it myself as I came to India first in 1902 and I think those Honourable Members of this House whose memory goes as far back as that will agree with me that there was no very serious inconvenience felt in regard to the half tola rate. I do not remember ever hearing of any complaints. We were all very happy in those days when we could get a half tola letter sent for half an anna. As I said elsewhere, Sir, I am afraid the half-anna rate has faded into the land of dreams, but I do hope that it will not be very long before we can do something more in regard to the additional weight that the post office will be able to carry for one anna.

THE HONOURABLE THE PRESIDENT : Amendment moved :

" That in Schedule I in the proposed First Schedule to the Indian Post Office Act, 1898, in the first entry under the head ' Letters ' for the words ' half a tola ' the words ' one tola ' be substituted. "

The Question is :

" That that amendment be made. "

The Council divided :

AYES—7.

Gounder, The Honourable Mr. V. C. Vellingiri.  
Halim, The Honourable Khan Bahadur Hafiz Muhammad.  
Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.

Kalikar, The Honourable Mr. Vinayak Vithal.  
Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.  
Suhrawardy, The Honourable Mr. Mahmood.

NOES—30.

Akbar Khan, The Honourable Major Nawab Sir Mahmood.  
Charanjit Singh, The Honourable Raja.  
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.  
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.  
Clow, The Honourable Mr. A. G. Commander-in-Chief, His Excellency the.  
Ghosal, The Honourable Mr. Jyotsnanath.  
Glancy, The Honourable Mr. B. J.  
Glass, The Honourable Mr. J. B.  
Habibullah, The Honourable Nawab Khwaja.  
Hafeez, The Honourable Khan Bahadur Syed Abdul.  
Hallett, The Honourable Mr. M. G.  
Henderson, The Honourable Mr. J. S.  
Jalan, The Honourable Rai Bahadur Radha Krishna.  
Johnson, The Honourable Mr. J. N. G.

Kameshwar Singh, The Honourable Maharajadhiraja Sir, of Darbhanga.  
Miller, The Honourable Mr. E.  
Mitchell, The Honourable Mr. D. G.  
Noon, The Honourable Nawab Malik Mohammad Hayat Khan.  
Pandit, The Honourable Sardar Shri Jagannath Maharaj.  
Raghunandan Prasad Singh, The Honourable Raja.  
Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.  
Reddi, The Honourable Sir Kurma Venkata.  
Russell, The Honourable Sir Guthrie.  
Raza Ali, The Honourable Saiyid.  
Souter, The Honourable Mr. C. A.  
Spence, The Honourable Mr. G. H.  
Stewart, The Honourable Mr. T. A.  
Taylor, The Honourable Mr. J. B.  
Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

“ That in Schedule I in the proposed First Schedule to the Indian Post Office Act, 1898, for the entries under the head ‘ Postcards ’ the following be substituted :

‘ Single . . . . .	Six pies.
Reply . . . . .	One anna ’.”

Sir, the rise in the price of the postcard has been about 200 per cent. Formerly the postcard used to be sold at three pies, and by and by it has now come to be nine pies, that is, an increase of 200 per cent. Sir, the postcard is mostly used by the villagers and the poor class of people and it therefore touches them if the price is increased. The price was increased from six pies to nine pies as an emergency measure in 1931. It was supposed to continue only as long as the emergency lasts and the time for this was fixed at 18 months. But it was extended last year and it is again going to be extended for one year more. Sir, if the Honourable Members will see the diagrams in this report they will find that the circulation of postcards always got a set-back when the price was increased. In 1919-20 when the price was only three pies the circulation was 610 millions. In 1920-21 the circulation went up to 630 millions, a rise of 20 millions. In 1921-22 it went up to 650 millions, that is, an increase of 20 millions per year took place up to 1921-22. In 1922 the price of the postcard was increased from three pies to six pies, and what was the result ? This diagram shows that at once the circulation fell to 520 million—a drop of 130 millions in one year. This I would submit was not due to depression at that time, as we are told now, nor because the people were giving up the habit of writing letters. It was due solely to the price being doubled. With the spread of education however the habit of writing letters was bound to increase and the figures again began to mount up till they rose to 650 millions in 1929-30. But in 1931 the price was again raised from six pies to nine pies, 100 per cent. more, and in the very same year there was again a drop in the circulation from 650 millions to 540 millions in 1930-31. In 1931-32 there was a further fall from 540 to 490 millions, and in 1932-33 there was a further fall of about 40 millions reducing the figures to 450 millions. So, we find from these figures in the report that every time Government raises the price of the postcard the circulation falls off and consequently affects the revenues of the Department. Sir, it is said that the Postal Department should be run on commercial lines. I for one do not agree with that view. You may run the Telegraph and Telephone branches on commercial lines but it is the duty of every civilized Government to make communication easy and cheap, and therefore we should not pay much attention to losses so far as the Post Office is concerned, because that is one of the primary duties of Government and I regard it as a utility department and not as a commercial department. Sir, I for one believe that if the Department is run economically there is absolutely no reason why there should be a deficit in its working. The figures for the Postal and the Telegraph and Telephone branches should be shown separately for the information of Members, whether there is a greater loss in one branch or the other.

THE HONOURABLE SIR FRANK NOYCE : Sir, the figures are shown separately. My Honourable friend does not seem to have read the report before him with the care I should have expected from some of his previous remarks this morning. There is a very clear statement showing the financial effect of the working of the different branches of the Department in the last administration report which is before him.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I am sorry I have not been able to find those separate figures but I accept the fact that they are there. But I would certainly like my friend to enlighten the House on the point how, when postcards used to be sold at three pies, the revenues of the Postal Department were greater than its expenditure? The Department then used to meet all its expenses and also contribute to the general revenues out of its surplus. But now I find that though the price of postcards and letters has been increased the revenue has decreased. That must be due either to increase of expenditure or a drop in the circulation of postcards and letters. I hope my friend will also make it clear in replying to this amendment why when these were sold so cheaply the Department used to be run economically and used to contribute to general revenues and why it is being run on a deficit now?

With these words, Sir, I commend my amendment for the acceptance of the House.

**THE HONOURABLE SIR FRANK NOYCE :** Sir, my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra's arithmetic seems, if I may say so with all respect, to be a little shaky. He maintained that the postcard rate had gone up by 300 per cent.—

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** From three pies to nine pies.

**THE HONOURABLE SIR FRANK NOYCE :** That is an increase of 200 per cent. not of 300 per cent. However, that is a small point. I admit that the increase is very heavy, and, as I said just now, all the energies of the Department during the coming year will be devoted to endeavouring to bring about such a state of affairs as will enable us to reduce the rate. The real point of difference between him and ourselves is as to the time at which that reduction could be effected. He would like it effected at once; we unfortunately think that it is impossible to bring it about in the present financial condition of the Department as it would involve a loss of Rs. 56 lakhs. That loss of Rs. 56 lakhs is based on an estimate of ten per cent. increase in traffic. Even if the increase in traffic is considerably greater than ten per cent., even if it went up to 30 per cent. we should still be some Rs. 30 odd lakhs down. My Honourable friend maintained that the decrease in the postcard traffic is entirely due to the increase in rates. I should like to give the House some very significant figures in this connection which show that the decrease in postcard traffic had come about before we increased the rate from six to nine pies. In recent years the total volume of postcards, inland and foreign,—the foreign proportion is of course very small—was highest in 1928-29 when the figures were 588 millions. In 1929-30 they had fallen to 583 millions and in 1930-31 they had fallen again to 538 millions. The increased rate on postcards came into operation in December, 1931 and the total figures for that year were 491 millions. What I think these figures show is that it was the economic depression which affected the traffic far more than the increase in rate; the traffic had fallen very heavily before we altered the rates.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Why was there a drop in 1922 when the price was raised from three to six pies?



**THE HONOURABLE SIR FRANK NOYCE :** I do not deny, Sir, that increased rates bring about a decrease in volume ; we all know that, and that it takes some time to recover. My point is that the volume had already decreased and was still very rapidly decreasing owing to the economic depression before we altered the rates in December, 1931. It was only because we altered the rates that we were able to retard the drop in our revenue.

My Honourable friend has raised the old question whether the Postal Department is a commercial department or a public utility department. He objects to its being worked on commercial lines. I can only say that if it were not worked on commercial lines it would, in all probability, soon be in a state of bankruptcy. Even admitting that it is only a public utility department, our idea of a public utility department is of a department which pays its way. We do not expect to make any profit out of the Department as they do in England, where I believe it has brought in during the last year a sum of some £10 millions in relief of the general taxpayer. We do expect the Department to pay its way and we think it is only fair that those who utilise its services should pay the proper amount for those services. There is no reason why people should have their postcards and letters sent or their telegrams sent or be able to use the telephone at the expense of other people. We do not ask for more than that, but I submit that is a very reasonable position to take up. My Honourable friend wants to know why in the old days the Department was working at a surplus, and why we cannot do that now ? If there is one cause more than another which has brought about this state of affairs, it is the general rise in the standard of living in the country. The post office, as Honourable Members know, is a very big Department, which employs I think some 130,000 people and the main reason why its cost has gone up is that those 130,000 people are paid much better wages and salaries than they used to be in the past. I do not think any of us here grudge them that. We do not want our runners and subordinate staff to go back to their old rates of pay, but we have to realize that this increase in pay is one of the causes, the most important cause, why the Department is not as prosperous as it used to be. If the economic depression had not come about, it might have continued to pay its way. These increased rates of pay combined with the economic depression have brought about the state of affairs which I have explained to the House today. The only other point I need refer to is my Honourable friend Mr. Mehrotra's charge that we do not show the working of the different branches of the Department very clearly in the annual report. May I invite his attention to page 2 of that report in which he will see that the net results of the four main branches, post office, telegraphs, radio and telephones, are very clearly set forth and compared with the figures for 1931-32 ?

Sir, I regret that I must oppose this amendment. I trust I have convinced the House that we are in sympathy with the motive which has prompted it and we hope that it will not be long before the amendment will be embodied in the Finance Bill presented to this Council.

**THE HONOURABLE THE PRESIDENT** (to the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : Do you press your amendment ?

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** On the assurance given, I beg leave to withdraw my amendment.

The amendment was, by leave of the Council, withdrawn.

The First Schedule was added to the Bill.

Clause 4 was added to the Bill.

**THE HONOURABLE THE PRESIDENT :** The Question is :

"That clause 5 stand part of the Bill."

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I beg to move :

"That in sub-clause (1) of clause 5 the words 'increased in each case, except in the case of total incomes of less than two thousand rupees, by one-fourth of the amount of the rate' be omitted."

Sir, the object of this amendment is only to remove the super-tax from the Finance Bill. As Honourable Members are aware this was imposed in 1931 as a measure of emergency for 18 months. It was in 1933 that it got a lease of life for one year, and this year we find it is again put in the Finance Bill. This shows that once a tax is levied, it is very difficult to get it removed. Sir, that time the idea was that every class should be taxed equally and it was on account of that that a cut of ten per cent. was made in the salaries of Government officers. We were also, Sir, given to understand that this would go together with the salaries cut. But I find that half the cut has been restored last year, although the same was not done so far as the super-tax or surcharge was concerned. Sir, we were expecting that it would be removed this year, if not totally at least by half, because the half salaries cut was restored last year. But I find the case is different and we are asked to continue for a year more with additional taxation to balance the budget. We are afraid, Sir, that the next year the Government may again come forward to restore the remaining cut in the salaries by showing a balanced budget which they could not do this year and this item may remain as it is. Sir, it is only proper that Government should reduce this by half if they do not see their way to remove it altogether, though I for one believe that it should be removed as early as possible and therefore I have moved this amendment.

**\*THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) :** Sir, I do not propose to deal with the amount that is involved if the amendment proposed by my Honourable friend were to be accepted. What really matters is as to what are the principles on which taxation should be based in the forthcoming budget, which point also involves at the same time a consideration of the question as to what are the classes to whom relief can properly be given on this occasion. Let me remind the House that this House is not a popular House. It is a revising Chamber. The franchise qualifications on the basis of which Members are elected are very high, with the result that representatives of capital, landed interests, and other very important interests are returned to this Council Chamber. Suffice it to say, Sir, that in that case it is all the more the duty of this House to see that they do not push their own claims too much. The incidence of taxation about which something was said yesterday is a very important question which should guide the budget of every country. What we have to consider in connection with the amendment of my Honourable friend is whether the burden that the Finance Bill seeks to place on the rich is unduly heavy. Sir, so far as I can see, there could be some justification for fighting for a reduction of rates in the price of postcards. Also there could be some justification, I am free to admit, if the rate of letters was sought to be raised from half a tola to a tola because in both these cases the relief would have gone to those who stand most in need of relief. Poor people in this country, as we all know, generally make it a practice to write postcards and not letters. Again those who can be called in this country the middle

\* Speech not corrected by the Honourable Member.

[Saiyid Raza Ali.]

classes generally write letters but some of them in any case find it too much to pay one and a quarter anna on each letter. If relief were given to them that would be welcome. In any case, that could have been welcome. But I entirely fail to see, Sir, why relief should be given to a class that is by no means unduly burdened and on whom the present Finance Bill does not seek to place any very heavy burden. (*An Honourable Member* : "Question?") My Honourable friend interjected "Question?" Sir, taxation is popular in no country. If you want to tax any class of people, that class of people is bound to disagree. Human nature being what it is, you cannot expect any class of people whom you seek to tax to welcome that and to raise its head in joy at the proposal. But, after all, are those people who are in receipt of incomes of more than Rs. 2,000 a year so very poor that they are unable to shoulder their burdens and relieve the poor man? In the course of the discussion yesterday a discordant note was struck by an Honourable Member who proposed that the best remedy for our ills would be to raise the salt tax from Rs. 1-4-0 to Rs. 2-8-0. Sir, that is a very big question. I do not propose to go into it. I hope at the same time that the Government will not consider proposals of that character seriously because we know what happened when the salt tax was doubled in 1923. But, quite apart from that, may I ask my Honourable friend as to what would be the difference between the proposal of my Honourable friend from Bombay who wanted to double the salt duty and the proposal of my Honourable friend who is responsible for the present amendment? I believe the object of the speaker yesterday was to relieve the class which he represented of part of the burden by throwing it on the shoulders of the poorer classes. My Honourable friend who is responsible for this amendment seeks to evade his own responsibility and not to contribute to the exchequer though he does not directly pass the burden on to the poorer classes.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I have not moved this amendment only. I have moved amendments in relation to the salt tax, the postal rates and other items as well.

THE HONOURABLE THE PRESIDENT : Order, order. You are, by this dubious method, exercising a right of reply, to which you are not entitled under the Standing Orders.

THE HONOURABLE SAIYID RAZA ALI : Sir, may I offer my hearty sympathy to my Honourable friend? Sir, he is the protector of every class. He is a protector of the poor. He is a protector of the middle class. He is a protector of the rich. Now, if this omnibus protector were to have his own way, what is going to happen to the budget? Accept his amendment on post-cards, accept his amendment on letters, accept his amendment on income-tax and then add up all these sums and see what a tremendous figure it would come to. I thought that the part which my Honourable friend played earlier in the day was the part at which he would have remained by not pressing this amendment on the attention of the House. Anyhow, he has chosen to do it. I do not think it is necessary to make any very long speech on this. If we are really to persuade the country to take the view that in any future constitution for India the second Chamber is going to play a very important part—and I for one have no doubt whatsoever that the Second Chamber in the future constitution of this country is going to play a very important part indeed—if we are going to take the country with us in this view, it is the bounden duty of every Member of this House, especially those who represent the public, not to act in

such a manner as would lay them open to the suspicion that while they are in this House they are oblivious to the interests of the masses and more solicitous of promoting their own interests.

**\*THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I rise to say a few words in support of the Motion moved by my Honourable friend Mr. Mehrotra. It came to me not as a surprise but rather as something strange that after the show which the House put up in the case of the poor man's postcard, the solicitude of certain Members for the good opinion of the country should be so great that they do not wish to do anything which will bring the House into shame before the public. The Members of this House, if they wish to make themselves popular, it is necessary that they should prove that they do everything for the advantage and for the convenience of the country—

**THE HONOURABLE THE PRESIDENT :** Order, order. There is no question of popularity at all. Every Member is entitled to vote according to his conscience.

**THE HONOURABLE MR. HOSSAIN IMAM :** I am not questioning that at all. I am only pointing out that the last speaker had a fling at the mover of this Motion that he was trying to serve the richer classes who can afford to pay and he was not trying to save the poor man who feels the pinch. May I point out that in saving the rich you are really saving the poor ?

**THE HONOURABLE SAIYID RAZA ALI :** I wish it were so.

**THE HONOURABLE MR. HOSSAIN IMAM :** I may point out, Sir, that you will find at the end of Schedule II, which gives the rates of income-tax, the rate which is applicable to registered companies and firms. We are giving protection, and each protection is a demand on account of income-tax and is debited to the cost of the poor consumer. Directly or indirectly, it is the consumer who is accountable for all money that goes to the coffers of the people. The rich people are only like the seas which receive water from all and sundry.

**THE HONOURABLE SAIYID RAZA ALI :** What about money-lenders ?

**THE HONOURABLE MR. HOSSAIN IMAM :** They are a class which are sometimes useful, but mostly they thrive on the wrongs of others. It is for this reason that we have tried many a time to introduce measures of funding all the debts. Sir, this Motion does not merely save the rich. By saving the cost of production we will be reducing the cost ultimately to the consumer. Not only that. The fact must not be forgotten that income to the Government is an incentive not to curtail expenses. I have pointed out many a time that as long as the Government are in easy circumstances, they do not look into things with that amount of care and that amount of solicitude which they have to pursue when their purse is not full. We wish to repudiate the idea which exists in the minds of the Government benches that the people of India are fit to be exploited for the sake of the services. It is for these reasons that we wish to curtail these resources which go to make up this expenditure, and secondly, we wish to reduce the burden on the taxpayer.

With these words, Sir, I support this amendment.

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\* Speech not corrected by the Honourable Member.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, the Honourable Mr. Hossain Imam has made it perfectly clear on what ground he is proposing to support this amendment. His underlying object is to refuse supplies. Sir, that is quite a proper line for the Opposition to take, but it is equally a line which I cannot be expected to rebut in detail. I am concerned with the more humdrum object of making the budget balance and I am very glad that my Honourable friend Sayid Raza Ali has put the problem in its proper proportions. I quite realize that the constitutional position of this House is such that it is only possible for them to raise on specific measures of taxation questions which in another place can be more appropriately discussed in other contexts. For that reason, Sir, I do not wish to take too narrow a ground and merely oppose this Motion on the ground that it will cost us Rs. 270 lakhs and that the Honourable mover has shown no other way in which that amount can be found. I would like to oppose it on the broader ground already so eloquently explained by my Honourable friend, that is to say, that in the taxation of the country, we have to frame a properly balanced system by which, though the poor must be taxed to a certain extent, it must be a light burden in comparison with that of the rich and no one section of the community is to have too grievous a burden imposed on it. For that reason, Sir, we feel that during the present depression, when the burden of taxation inevitably has to be increased, one of the fairest ways of meeting a portion of that increase is by a surcharge on income-tax. Therefore, Sir, on those broad grounds, I would request the House to oppose the amendment.

**THE HONOURABLE THE PRESIDENT :** Amendment moved :

"That in sub-clause (1) of clause 5 the words 'increased in each case, except in the case of total incomes of less than two thousand rupees, by one-fourth of the amount of the rate' be omitted."

The Question is :

"That that amendment be made."

The Motion was negatived.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I do not wish to move my amendment No. 4, Sir.

**THE HONOURABLE THE PRESIDENT :** I will ask the Honourable Rai Bahadur Lala Jagdish Prasad to move his amendment No. 9 at this stage so that we may dispose of all the three parts of Schedule II before we proceed with clause 5.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** Sir, I beg to move :

"That in Part IA of Schedule II entry (1) be omitted and the subsequent entries be renumbered accordingly."

Sir, the object of my amendment is to exempt incomes of less than Rs. 1,500 from income-tax. It is the general feeling, Sir, that the lowering of the limit of income liable to income-tax from Rs. 2,000 to Rs. 1,000 which was done in 1931 has operated harshly on the poor and middle classes. Normally this would mean the taxing of an income of Rs. 84 a month, but in reality it does not stop there. It is a matter of common knowledge that income-tax officers in their zeal to bring in an increased income to the coffers of Government

do not always care, nor is it always easy for them to do so, to find out whether an assessee has got the exact amount of income that is liable to income-tax, but at times bring in persons of much less income also on their assessment list. The hardship caused to the people by the Department of income-tax trying to rope in all and sundry in their assessment is proved by the fact that so far as my information goes 40 per cent. of appeals against income-tax assessments are accepted. The hardship caused by the lowering of the limit of taxable income will perhaps be clear to the House from the fact that when the limit of assessable income was lowered from Rs. 2,000 to Rs. 1,000, it was estimated that about 300,000 families would be roped in by the proposal. Then the hardship is further aggravated by the fact that in the case of assesseees with an income of less than Rs. 2,000 summary assessments have been provided for. Further, the system of assessment of income-tax in India is different from the system obtaining in England. In levying income-tax in the United Kingdom allowance is made for married men and children. If a man is married the exemption limit is higher and allowance is made for each child at specified rates. No such thing exists in India. Then I understand that losses in the incomes of assesseees are carried forward to three years in England at the time of assessing income-tax, whereas no such allowance is made in India. So there are a number of hardships which the average assessee of income-tax has to face in this country, unlike the United Kingdom for instance. The conditions in India for the purposes of assessment of income-tax should therefore in my humble opinion be made easier. I do not mean to suggest that the incomes below Rs. 2,000 should be entirely exempted, although that is by no means an unfair proposition as it used to be the case before 1931. What I beg to suggest at this stage is only a *via media*, namely, that incomes below Rs. 1,500 should be exempted from income-tax. This I hope will be considered a reasonable proposition by the House. Sir, from the statement made by the Honourable the Finance Member in the other House it seems to me that the proposal contained in my amendment would cause a loss of Rs. 21 lakhs to Government revenues. But I submit that the loss is well worth a trial in the interests of assesseees of small incomes and it could be made good to the extent of at least Rs. 16 lakhs by the surplus of a like amount which the Finance Department expects during the next year on account of its taxation proposals. Sir, although I feel that this amendment of mine is going to share the same fate in this House as other amendments have done, my sense of public duty prompts me to move it, irrespective of what fate is in store for it. I only hope that the Honourable Mr. Taylor will not think that I have moved this amendment on the ground of refusal of supplies to the Government.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I will readily admit that an amendment of this nature, the financial effects of which are comparatively small—the mover was correct in saying that the Honourable the Finance Member estimated them at somewhere between Rs. 20 and Rs. 25 lakhs—does not offer the insuperable initial objection which a proposal to effect a drastic curtailment of say Rs. 2 to Rs. 13 crores would. At the same time, I feel that the objections of principle are sufficiently strong to justify our rejecting it. I must repeat what I have been saying throughout this morning, that our system is to balance the burden evenly amongst the various classes of the community. The Honourable mover pointed out that in England there are reductions for married people and people with children on lower incomes. There is a certain rebate on marriage and so much for each child. On the other hand, in India owing to the existence of the Hindu joint family system there are certain advantages peculiar to the country which are not applicable to England. The systems are different, and even in England, as the result of Lord Snowden's budget

[Mr. J. B. Taylor.]

three years ago, if I remember correctly, the rebates for marriage and children allowances were very materially curtailed. These, however, are really incidental points. The main fact remains that in this country we consider, taking the burden of taxation as it exists at present, that people who have an income of Rs. 1,000 a year, particularly in present circumstances when the fall in commodity prices has made the purchasing value of Rs. 1,000 a great deal more than it was a few years ago, can fairly be called upon to shoulder a small share of the burden. For these reasons, Sir, we must object to any proposal which would relieve them from it, and I must ask the House to oppose the amendment.

THE HONOURABLE THE PRESIDENT: Amendment moved:

"That in Part IA of Schedule II entry (1) be omitted and the subsequent entries be renumbered accordingly."

The Question is :

"That that amendment be made."

The Motion was negatived.

Schedule II, Parts I, II and III, were added to the Bill.

Clause 5 was added to the Bill.

Clauses 6 and 7 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. J. B. TAYLOR: Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

I do not wish to make a lengthy speech on this occasion, but I would merely  
 1 P.M. like to say that I fully appreciate that the constitutional position with regard to the Finance Bill is such that Members of this House can reasonably claim the opportunity of discussing in connection with the Bill questions which possibly would not be very strictly within its scope if interpreted in the most rigid sense. In the general discussion in particular, they can raise questions connected with the financial budget as a whole. Such points have been dealt with at considerable length by the House and I can promise that Government will pay careful attention to the points which have been made and see that they are properly examined. I had no time yesterday evening to go through them all, but even those which I did not refer to specifically, I can assure the House will be considered by the Government.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces: General): Sir, I have a very painful duty to perform and that is to oppose the Finance Bill as a whole. We, on this side of the House, are put in that position simply because whatever modest and innocent amendments we wanted to make in the Bill have not been accepted by the Government. So our constitutional position as an Opposition comes to this, that we cannot but raise our protest and oppose the Bill *in toto*. As the House knows, Sir, the amendments that were moved by Honourable Members on this side were such as were intended to relieve the sufferings of the poor as well as the middle classes and the rich classes too. Objection was taken by my Honourable friend

that if these amendments are accepted it will involve a large deficit in the budget. I am sorry he attacked the representative character of this House. I may bring to his notice that in this House we, the elected Members, are in a majority and as such we claim that we are also representative of the people in India as the Members in the Lower House. It seems to me that whatever constructive suggestions we could make do not appeal to the Government and they have their old way of taxing the poorer classes as well as the middle classes. The innocent and modest amendments about the reduction in the postal rates, about the reduction in rates of income-tax, have not been accepted by Government. During the general discussion on the budget and during the first reading of this Finance Bill, various constructive suggestions were made by Honourable Members of this House but I find that no attention is being paid to those constructive suggestions and the curtailment of expenditure is not being effected as we on this side of the House desire, but the taxes are being raised. And the most abnormal feature of the Finance Bill is that we were told two years ago that the present increase in taxes was merely an emergency measure but we find now that it has become a permanent measure. Therefore, Sir, we on this side of the House have no other remedy except to refuse supplies and to raise our protest and see that the Bill is defeated.

\* THE HONOURABLE MR. HOSSAIN IMAM : The third reading of a Bill, Sir, is not the stage at which to indulge in a detailed criticism, but I cannot help alluding to one small incident in the proceedings. I do not know what was the thing which suggested to the fertile mind of my Honourable friend across the floor of the drowning man, but I can say this much that I feel that I am serving a master whose whims are not changed and therefore I can afford to look back to what I have done ; but it is different with those who have got to receive orders every day which differ from each other ; they cannot afford to look back to their deeds. Sir, the constitutional position has been very well illustrated by the Honourable Mr. Kalikar and the reason why we find ourselves compelled to recourse to that drastic measure is because of the attitude which the Government has taken up of unreasonable insistence on passing everything through the House without amendments. Sir, the spirit which the Government shows in the other place is not shown here ; there they are prepared to accept amendments as they did in the case of this very Bill ; they made amendments in the tobacco duty and in the taxation on cigarettes. But coming to this House the atmosphere is so favourable to the Government here that they can afford to neglect it, and therefore, Sir, we have no other measure left to us but to dissociate ourselves from that section of the House which is prepared to do the Government's bidding. May I remind the House that the Government is very particular about small items of expenditure. That is the reason why this amendment on income-tax which affected the very poor class of people with incomes of less than Rs. 1,500 a year was rejected ; but the Government is never careful of the things that are going on and which involve far greater losses. I should like to remind the House of the Andrew Yule scandal in the Income-tax Department, involving a loss of more than Rs. 2 crores to the exchequer. The estate which was the subject-matter of a decision in the High Court was assessed to income-tax for about more than Rs. 2 crores. Sir Andrew Yule died in 1928 ; the assessment in question was made in 1931 and the decision was made in 1934. If the Act was not operative it was high-handedness on the part of the Income-tax Department to harass the legatees and heirs of Sir Andrew Yule after such a long period. If they had a case they would have won it in the High Court, but the fact that they lost

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\* Speech not corrected by the Honourable Member.



[Mr. Hossain Imam.]

the case in the High Court does not redound to the credit of the Income-tax Department. If the Government were wide awake, they would have looked into the Act and made suitable amendments between the period of the assessment and the death of Sir Andrew Yule. Thereby we should have gained some money. I do not know exactly how the matter stands. I tried to find out but was unable to get particulars as to whether this money or part of it has already been collected by Government and will have to be refunded later on, or whether it was postponed. However that might be, this shows the lack of supervision on the part of the Department of Central Revenues which is responsible for this sort of money going out of our hands. Sir, may I remind the House that last year we had a Resolution that a Committee of this House should sit to examine the Ottawa Pact. That Committee has not yet been formed. But I bring forward this question just to remind the House because I wish that if in matters like these a non-official committee is associated with the department to look into the measures which can be taken to improve the position or the method of work, it would be a useful thing. In this connection, Sir, I should like to ask the Honourable the Finance Secretary to make available to the Members of this House the publication which is issued on the income-tax collection by his department. That will help us to find exactly the position of India's wealth and how many people have certain kinds of income and how this Department functions. The Post Office sends us a book but the Income-tax Department which is more intimately concerned with us never sends us anything.

With these words, Sir, I oppose this Bill.

\* THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ (East Bengal: Muhammadan): Sir, after hearing all my Honourable colleagues who have spoken comprehensively on the Finance Bill, I should like to confine myself to one thing,—that is, the remission of the jute tax to Bengal. The people of my province are very grateful to the Government of India for remitting half the jute tax at such a time when Bengal is in dire need and for which we have been clamouring for a long time. I do not wish to go into the arguments put forward by Bombay and Madras against the remission, as it would serve no useful purpose.

My friend, the Honourable Mr. Glass, has put forward the claims of Burma on the subject of the rice export tax very clearly and I have no doubt the Government will investigate his assertions. It is gratifying that the efforts of our Governor, His Excellency Sir John Anderson, who has taken up our case so ably, have succeeded in convincing the Government of India in regard to the needs of Bengal.

With these brief remarks, Sir, I support the Finance Bill.

THE HONOURABLE MR. J. B. GLASS (Burma Chamber of Commerce): Sir, I desire to take this opportunity of drawing attention to a point in the Finance Bill which has not perhaps been sufficiently appreciated or stressed in the discussions which have taken place here and in another place on postal matters. I refer to the minimum postage rate on books, patterns and sample packets which has been raised to nine pies from the existing rate of half an anna. The reason given for this by the Finance Member is that the book packet method is being abused by the sending of postcards in envelopes at the half-anna rate.

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\* Speech not corrected by the Honourable Member.

This increase must adversely affect the general use of the half-anna postage by the retail trade and others who send out printed matter in envelopes with the flap open. This increase, from a commercial outlook, appears to me to be a distinct hardship on trade and may seriously affect customs revenue as there is certain to be a decrease in the issue of advertizing matter. It seems to me unbusinesslike that the users of this form of postage should be penalized 50 per cent. merely because there is an alleged abuse, an abuse possible of detection by postal officials and punishable by the infliction of double rates.

I would put forward for the consideration of the Honourable Sir Frank Noyce the desirability of investigating the possibility of making special provision for this class of printed matter by book post at half an anna for two and a half tolas instead of five tolas, which would cover most of the cases of hardship I refer to.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I do not wish at this stage to go into the points raised by the Honourable Mr. Hossain Imam. I shall certainly see that they are brought to the attention of Government but I myself, I am afraid, am not acquainted with the Yule case and I could not understand whether he was censuring the Income-tax Department for showing too much energy or too little energy or whether he wished us to pass retrospective legislation to tax people when they are dead. However, I shall have the case looked into, as also all the other points raised in the discussion. I do not wish to add anything more at this stage, Sir, but commend the Bill to the House.

**THE HONOURABLE THE PRESIDENT :** The Question is :

“That the Bill, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

#### SALT ADDITIONAL IMPORT DUTY (EXTENDING) BILL.

**THE HONOURABLE MR. J. B. TAYLOR (Additional Finance Secretary) :** Sir, I move :

“That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.”

Sir, this Bill has come annually before the Legislature since 1931, so that I need not describe its object at any length. Very briefly, the purpose of the Bill is to protect and foster the production of salt in India. At the same time, in order to prevent profiteering in a protected market, an innovation was made in the Bill in 1931, giving Government the right to buy in salt should the price rise above a certain level. Provision was also made that the position would be periodically and consistently examined, not only by enjoining the Central Board of Revenue to furnish statistical reports but also by the appointment of a committee of the Legislative Assembly called the Salt Industry Committee to watch how the protection was working. That Committee has sat annually and as the result of its report we are now proposing the extension of this measure for a further year, but with one small alteration. Last year, as the result of the report which they then made, we reduced the protective rate to two and a half annas. That rate is being continued. The change is in regard to the buying in rate which began at Rs. 63-11-0 as the result of the report of the Tariff Board, and was reduced by us last year to Rs. 54-12-0. The Committee, after examining the statistical material available regarding the

[Mr. J. B. Taylor.]

course of prices during the last year, recommended that the buying in rate could be further safely reduced to a price much closer to the market level. The market price went up to Rs. 49 in the last year. They have therefore recommended that the buying in price should be reduced from Rs. 54-12-0 to Rs. 50, obviously thereby increasing the safeguard against any profiteering in private salt. The only amendment in the present Bill is therefore that the buying in rate has been fixed at Rs. 50.

I am sorry, Sir, I forgot ; there is another very minor amendment. We have found that it is inconvenient for the discussion of this Bill that it should terminate on the 31st of March. That means that its consideration coincides with the consideration of the other measures connected with the budget and there is very inadequate time for its examination. We have, therefore, proposed that for next year the life of the measure should be extended up to the end of April. That will enable it to be considered at more leisure. I am sure that a change of this nature will be particularly welcome to this House.

Sir, I move.

\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise not so much to oppose as to state some facts which will be pertinent to the discussion of this Bill. Sir, the papers connected with this Bill were distributed to some of us last night and to me this morning. There are two books, the report of the Central Board of Revenue and the Statistical Supplement. Added to this is the fourth report of the Salt Industry Committee of the Indian Legislative Assembly. It is impossible for a man, while the discussion of the Finance Bill is going on, to devote any time to study these papers. Therefore, I do not find myself competent at the moment to discuss the provisions of this Bill. But I should like to make a general remark that in giving protection, the underlying idea was to develop the internal resources. I find that, at least in my own province of Bihar and Orissa, nothing has been done to develop the industry. I should therefore like to ask the Government during the currency of the present legislation to look into the possibility of the Orissa sea coast, and to see how far we can develop the internal production of salt. I should also like to remind the House and the Government that we must be prepared to consider in a very few days or months how we are going to treat Aden. Up till now Aden is included with India. The amount of import from Aden comes to almost 45 per cent. of the imports from all sources. If, as seems to be the intention of the Secretary of State for India, Aden is separated, then we wish to be safeguarded so that we will not be placed in a position to give protection as we are giving to Aden as part of India when it is separated.

For these reasons, Sir, I wish the Government to keep a watchful eye and not to sleep during the year.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, before I support the Bill for consideration, now before the House, I would like to point out that the Salt (Additional Import Duty) Act was passed in 1931 with the object of making India self-supporting in the matter of her salt. Sir, prior to the passing of the Act the Assembly appointed a Committee to discuss the report of the Tariff Board on salt and also the report of the Salt Survey Committee and to devise steps as to how that object could be obtained.

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\* Speech not corrected by the Honourable Member.

Sir, the Salt Committee of the Assembly recommended that the proceeds of the additional duty to be obtained after the passing of the Act should be utilized for the following main objects, *viz.*—

- (i) The development of certain Northern India Salt sources, *e.g.*, (1) Khewra and (2) Sambhar in the manner recommended by the Salt Survey Committee.
- (ii) The investigation of the possibility of the development of the sources in Bengal and Orissa.

The Assembly accepted the above recommendation of the Salt Committee and passed the Act in 1931, and at the same time passed a Resolution on the 1st April, 1931 regarding the distribution of the proceeds of the duty to the provinces concerned for carrying out the two objects which I have just mentioned. With your permission, Sir, I will read the Resolution of the Honourable Sir George Schuster which is on page 3001 of the debates of the first session of the Fourth Legislative Assembly of 1931.

“ This Assembly recommends to the Governor General in Council that, in the event of the Bill to impose a temporary additional duty of customs on foreign salt becoming law, the proceeds of the additional duty, after deducting such amounts (not exceeding one-eighth of the whole) as may be required for disbursement by the Governor General in Council for the development of certain Northern India Salt sources in the manner recommended by the Salt Survey Committee and for the investigation of the possibility of the development of other sources in India for the supply of salt to those areas which at present consume imported salt, shall be distributed to the Governments of those provinces in which salt liable to the additional duty is consumed ; and that this apportionment shall be conducted by the Governor General in Council in accordance with his decision as to the extent to which the burden of the additional duty falls upon consumers in the various provinces mentioned ; and this Assembly further recommends that the attention of the Provincial Governments who may receive a portion of the revenue which is to be distributed should be called to the views expressed in this Assembly as to the desirability of applying such revenue in certain ways and in particular to the development of salt production where economically feasible within their own provinces ”.

Now, Sir, I should like the House to examine how far these two objects have been attained by the working of the Act during the past three years. In the first place, as far as Khewra and Sambhar sources are concerned, I am certain no salt has yet been coming to Bengal from any of these sources. So the first portion of our salt development scheme has been a failure up till now. In the second place, as regards the manufacture of salt in Bengal is concerned I can say that a very small number of people have taken up the idea of manufacturing salt in our province. Sir, so far as I am aware the Government of Bengal did not take an active interest to stimulate such manufacture. Although according to the Resolution which I have just read I know that they are getting seven-eighths of their share of duty, the remaining one-eighth being kept by the Government of India. Now, Sir, coming to the present Bill which proposes to give a fresh lease of life to the Act for another 13 months, I can have no objection on principle provided that the entire proceeds are spent for the purpose of which the Act was originally meant, *viz.*, to make India self-supporting in the matter of salt. Sir, I therefore venture to suggest that as the Northern India sources have failed to supply salt in Bengal the Government of India should no longer retain the one-eighth share of this duty but the entire portion of the proceeds be allocated to Bengal and other provinces concerned to be ear-marked for salt development work only, and that no portion of it should be utilized for the purpose of general revenue, either in Bengal or any other province. I believe, Sir, that there is a large scope for the manufacture of salt in some of the districts in Bengal situated on the sea-coast, such as Chittagong, Midnapore, the 24-Parganas and Noakhali.

[Mr. Mahmood Suhrawardy.]

History also shows that salt was manufactured in commercial or on a large scale in these districts during the time of the East India Company. In my humble opinion, I venture to suggest that attempts should be made to revive the old salt industry of Bengal and this will also solve the unemployment problem to some extent. I also think that this additional duty should be utilized exclusively for carrying out the salt manufacture in the provinces concerned (Bengal, Bihar and Orissa, Assam and Burma). If the Government of India are prepared to give such an undertaking which is only a constructive suggestion I shall gladly support the Bill now before the House.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadan) : Sir, while supporting the extension of the Salt (Additional Import Duty) Act I would like to point out that as regards the composition of the Salt Advisory Committee the Upper House has been completely ignored, not even one or two Members of this House have been put on to that Committee. Sir, I would also support the previous speaker as regards apportioning the revenue to the improvement of the salt industry in various provinces, not only in Bengal. Even in Madras if facilities are given and if some dole is given from this import duty we might try to manufacture salt and later on might find a market not only in Madras but in other provinces.

With these remarks I should like to support the Motion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : If I intervene in the debate at this moment it is just to associate myself with the remarks of my friend Mr. Hossain Imam as regards supplying these papers to us at a very late hour. Sir, the Government does not want to even give time to Members of this House to read papers. These reports were supplied to us last night although they were published months ago. I do not know why they were kept back and were not circulated to us. The fourth report of the Salt Advisory Committee of the Legislative Assembly was published on 23rd February, 1934. Then the other report of the Central Board of Revenue on the working of the Salt (Additional Import Duty) Act during the period 1st January, 1933 to 30th September, 1933 was published as far back as 21st November, 1933, about four months back, and the third report and Statistical Supplement to the report of the Central Board on the working of the Salt (Additional Import Duty) Act during the period 1st January, 1933 to 30th September, 1933 was published on 3rd February, 1934. So, Sir, all these reports were published months back, but were supplied to us late last night at about ten or half past ten. This is the courtesy which is shown to this House. I hope, Sir, that you will press Government to supply these papers in time for us to go through them and be prepared for the discussion when it comes before this House.

THE HONOURABLE MR. J. B. TAYLOR : Sir, I am afraid that I am not able to say whether these papers were presented to the Legislative Assembly before they were presented to this Council, but I shall certainly have the matter looked into and see that in future as much time is given for the perusal of such documents as possible. I think, Sir, the delay in this case has been particularly unfortunate because both the points raised by the Leader of the Opposition were points which have been elucidated in the report of the Committee. However, for the information of this House I will deal briefly with them here. The first is the question of Aden. He rightly emphasized the important position which

the imports of Aden salt bear to the total and the difficult and controversial issues which have arisen because of the peculiar position of Aden. Sir, that is one of the reasons why the Bill is being continued from year to year. Ordinarily a measure of protection is given for a reasonable length of time, five years or so, so that manufacturers can adjust themselves to a settled programme. But the doubt as to the political future of Aden is one of the reasons why this Bill is being carried on from year to year as a temporary measure. That gives an opportunity to the Legislature and to the Government to watch the position from day to day.

The next question which he brought up and which was elaborated by the Honourable Mr. Suhrawardy was as regards the application of that portion of the duty which has to be allocated to the development of local production. We are agreed that the experiments in the past for the development of Northern India salt have not proved particularly successful, and as the Committee themselves point out, they recognize that in the last year or two Local Governments have also not been spending the money on the development of salt production to any considerable extent. They remark that they feel disappointed at it but they realize that the present financial conditions are such as to justify the Local Governments in temporarily diverting these funds. At the same time, and this brings me to the point urged by the Honourable Mr. Suhrawardy, there is a certain margin available with the Central Government from the share which is kept by it, and the Committee have recommended that a portion at least of that share should be lent or given by the Central Government to Provincial Governments for the development of local salt production. There is no intention to confine that to certain areas, and I presume that if the Madras Government for instance puts up a proposition it will be considered on its merits.

As regards the Committee which is charged with the watching of the operation of this measure, the Honourable Mr. Chetti regretted that there were no Members of this Honourable House on the Committee. Sir, I am afraid that it is rather too late to raise that issue now. However, Sir, in this as in other respects the House can rely on me bringing the point to the attention of Government.

Sir, with these remarks I move that the Bill be taken into consideration.

**THE HONOURABLE THE PRESIDENT :** The Question is :

“ That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

Clauses 2 and 3 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

**THE HONOURABLE MR. J. B. TAYLOR :** Sir, I move.

“ That the Bill further to extend the operation of the Salt (Additional Import Duty) Act, 1931, as passed by the Legislative Assembly, be passed.”

The Motion was adopted.

## STATEMENT OF BUSINESS.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Leader of the House): We are now once more, Sir, in a position in which I can only suggest that the Council should adjourn till summoned by circular on the passing of further legislation by the other Chamber which will, I hope, pass the States Protection Bill towards the close of next week. I have only to add that at our next meeting I shall move for the consideration and passing of the Bill to amend the Indian Trusts Act which I introduced yesterday.

**THE HONOURABLE THE PRESIDENT**: Honourable Members, I thank you for the businesslike promptitude and expedition with which you have dealt with these two important Bills. You have enhanced the reputation of this Council a hundredfold by your exhibition of businesslike methods.

I shall now adjourn the House to a date to be notified to Honourable Members by an official circular.

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The Council then adjourned to a date to be notified to Honourable Members by circular.

### ***ERRATUM***

In Council of State Debates of 28th March, 1934, page 584, top left corner, for "Mr. Mahmood Suhrawardy" substitute "Maharaja Jagadish Nath Ray of Dinajpur".





## COUNCIL OF STATE.

*Thursday, 12th April, 1934.*

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

### MEMBERS SWORN :

The Honourable Mr. Hugh Stuart Crosthwaite, C.I.E. (Delhi : Nominated Official).

The Honourable Mr. Bertrand James Glancy, C.S.I., C.I.E. (Political Secretary).

The Honourable Sir Alfred Alan Lethbridge Parsons, Kt., C.I.E. (Finance Secretary).

### QUESTIONS AND ANSWERS.

#### COST OF RECRUITING AND TRAINING A BRITISH INFANTRY SOLDIER.

115. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. Hossain Imam) : (a) Is it a fact that the last calculated cost of recruiting and training a British infantry soldier for one year in 1923 was £190-10-0 ?

(b) Is it a fact that the Capitation Tribunal in paragraph 29 of their report recommend that India should be charged for nine months only ? Does it mean that cost will be £142-10-0 *per capita* ?

(c) Is it a fact that in paragraphs 30, 32, they recommend that India should be charged for the period of service in India and England should pay for the period of active and reserve service ?

(d) Does it mean that roughly India and England will have to pay half, half the cost of nine months' training ? Does it denote that India is to be debited with half of £142-10-0 or £71-5-0 ?

(e) Is it a fact that this year only 7,648 men were drafted in India for the British Army. Does not their cost on the rates mentioned come to £548,744 ? Is this the amount which is to be paid ? If not, what is the amount, and how is it arrived at ?

THE HONOURABLE SIR ALAN PARSONS : Sir, His Excellency the Commander-in-Chief, who is on tour, has asked me to reply on his behalf and with your permission I will do so.

(a) Yes.

(b) The answer to the first question is in the affirmative. The answer to the second question is in the negative. There are certain fixed charges which do not vary with the period of training and therefore the reduction will be by less than one quarter.

(c) and (d). The soldier engages to serve for twelve years, of which normally seven years are with the Colours and five with the Reserve. India has to pay that proportion of the cost of training the soldier which the term he actually serves in India bears to the full twelve years. When it is stated in the report that "service with the Colours is to rank equal with service in the Reserve", it does not mean that the five years with the Reserve is to equal the seven years with the Colours, but that one year counts as one year in either case.

(e) The answer to the first question is in the affirmative. As regards the second, the Honourable Member is under a misapprehension. The annual capitulation payment is worked out on the total number of men serving in India each year, and not on the numbers of the drafts which arrive in India annually. I would, however, refer the Honourable Member to the last sentence of the reply I gave on the 19th March, 1934, to his question No. 79.

#### GRANT OF TEA EXPORT LICENSES UNDER THE TEA RESTRICTIONS SCHEME.

116. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Rai Bahadur Lala Jagdish Prasad): (a) Is it a fact that in some cases tea gardens have been leased out to lessees by their original proprietors for definite periods?

(b) Is it a fact that in such cases all the existing rights and privileges have been transferred by such lessors for valuable considerations to the lessees?

(c) Is it a fact that owing to slump in the tea market these lessees of tea gardens had to incur huge losses in the past years?

(d) Is it a fact that the Indian Tea Control Act, XXIV of 1933, was enacted in the interest of the actual growers and producers of tea?

(e) Is it a fact that these lessees have been equally affected by the restrictions imposed on the export of tea by the above Act?

(f) Is it a fact that such original proprietors as had leased out their tea gardens before the slump in prices have not been affected by either the slump or the restrictions imposed on the export of tea by the Act?

(g) Is it a fact that taking advantage of the words "owner of a tea estate" as used in sections 15 and 16 of the said Act certain lessors have applied to the Indian Tea Licensing Committee, Calcutta, for export licences of tea outside India?

(h) Is it a fact that the lessors by reason of their having leased out their tea estates cannot now grow and produce tea by themselves and consequently cannot export such produce?

(i) Is it a fact that in section 8 of the Government of India Resolution No. 30, dated the 20th May, 1933, issued for the purposes of the Notification No. 28-Customs, dated the 20th May, 1933, containing instructions about the appointment of licensing authority and conditions for the grant of export licences for tea, only "a tea producer" or "an exporter to whom export rights have been transferred by a producer" is entitled to apply for and be granted an export licence, and is it also a fact that the Indian Tea Control Act, 1933, was intended to be framed on the lines of the said Resolution?

(j) Have Government considered the advisability of issuing instructions to the Indian Tea Licensing Committee to grant export licences only to lessees who are in actual possession of the produce of the tea estates?

THE HONOURABLE MR. T. A. STEWART : (a) Yes.

(b) Ordinarily this is so but the position in individual cases must depend on the terms of the relative lease.

(c) Government have no information.

(d) and (e). Yes.

(f) Yes, unless the terms of the lease have undergone any change as a result of the slump.

(g) Yes.

(h) Yes, unless otherwise provided in the lease.

(i) Yes.

(j) Government do not consider any such instructions to be necessary because in cases where the Licensing Committee are informed that an estate has been leased out, the relative export quota is allotted to the lessee provided application for the quota is made by the lessee in accordance with the terms of the Act and the rules made thereunder.

NAMES AND POSTINGS OF ENTRANTS TO THE SUPERIOR SERVICES DURING THE LAST TWELVE MONTHS.

117. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly place on the table of this House a statement giving the names and postings of the permanent entrants to superior services in civil and in military departments during the last twelve months or for the period for which figures are available ?

THE HONOURABLE MR. M. G. HALLETT : I lay on the table a statement containing the information required in respect of the all-India services recruitment for which has not been stopped. I regret that similar information is not readily available in respect of other superior services.

INDIAN CIVIL SERVICE.

*Madras.*

K. G. Menon.  
M. J. R. Paul.  
Sheikh Mahmud Hasan.

*Bombay.*

D. S. Joshi.  
G. V. Bedekar.  
R. A. Mahamadi.  
R. S. Halliday.  
P. V. R. Rao.  
Vidya Shankar.  
S. M. Ikram.

*Bengal.*

R. J. Pringle.  
S. M. Kadri.  
R. A. St.C. Stracey.  
L. R. Chambers.  
E. G. Greek.  
S. B. Hatch-Barnwell.  
S. N. Mitra.  
A. H. Quraishi.

*United Provinces.*

P. A. Gopalakrishnan.  
Jagat Narayan.  
Q. A. Whyte.  
A. D. Pandit.  
B. M. Bacon.  
K. P. Bhargava.  
Rajeshwar Dayal.  
G. A. Faruqi.

*Punjab.*

D. A. Bryan.  
R. E. C. Broadbent.  
L. J. D. Wakely.  
S. N. Haksar.  
Syed Fida Hassan.  
A. L. Fletcher.  
Ashan-ud-Din Pir.  
P. M. Ismail.  
Kapu Singh.

INDIAN CIVIL SERVICE—*contd.*

<i>Burma.</i>	<i>Bihar and Orissa.</i>
G. Samuel.	C. S. Jha.
A. W. H. Breakey.	C. L. Bryson.
Maung Nyun.	Muhammad Azfar.
Maung Ba Tint.	
Maung Ohn.	
Maung Tun Min.	
Maung Ba Htay.	<i>Central Provinces.</i>
Maung Saw Han.	K. Radhakrishnan.

## INDIAN POLICE SERVICE.

<i>Madras.</i>	<i>United Provinces.</i>
A. W. Lennan.	G. A. J. Boon.
V. V. Chandrasokhara.	J. D. A. Pollock.
S. Appanda Raj.	L. C. Ingram.
	H. A. St. Clare Stracey.
<i>Bombay.</i>	<i>Punjab.</i>
A. E. Davies.	P. N. Cleary-Fox.
R. H. Simpson.	G. N. Jackson.
V. G. Kanetkar.	N. D. T. Sutton.
	<i>Burma.</i>
<i>Bengal.</i>	C. Tooke.
G. Walker.	F. Smitherman.
J. W. Purdy.	
Upananda Mukherji.	<i>Bihar and Orissa</i>
Ajit Kumar Majumdar.	Bibhutibhusan Banerji.

*Assam.*

Sudhindra Mohan Datta.

## INDIAN MEDICAL SERVICE.

The undermentioned Indian Medical Service officers were transferred to civil during the period from 1st April, 1933 to 31st March, 1934 :

	<i>Present appointment.</i>
<i>Madras.</i>	
Captain R. D. Alexander (temporarily).	Acting Physician, Government General Hospital and Additional Professor of Medicine, Medical College, Madras.
Colonel (now Major-General) Sir F. P. Coonor (permanently).	Surgeon-General, Madras.
Captain J. F. Shepherd (temporarily).	Reserve Duty, Government General Hospital, Madras.
<i>Bombay.</i>	
Captain J. E. Grey (temporarily).	Civil Surgeon, Nasik, Bombay.
<i>Bengal.</i>	
Major N. B. Mehta (temporarily).	Superintendent, Central Jail, Rajshah Benjal,

INDIAN MEDICAL SERVICE—*contd.*

*Present appointment.*

*United Provinces.*

Captain W. Lawie (temporarily).	Civil Surgeon, Dehra Dun, United Provinces.
Captain F. E. B. Manning (temporarily).	Civil Surgeon, Fyzabad, United Provinces.
Captain D. M. Fraser (temporarily).	Civil Surgeon, Allahabad, United Provinces.

*Punjab.*

Captain M. H. Shah (temporarily).	Officiating Medical Superintendent, Punjab Mental Hospital, Lahore, Punjab.
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*Burma.*

Captain G. M. Irvine (temporarily).	Civil Surgeon, Tounggyi, Burma.
Captain T. J. Davidson (temporarily).	Civil Surgeon, Prome, Burma.
Captain R. L. Frost (temporarily).	Civil Surgeon, Thayetmyo, Burma.
Captain Hoe Min Sein (temporarily).	General duty at the General Hospital, Rangoon, Burma.
Major A. J. D'Souza (temporarily).	Jail Department, Burma.

*Central Provinces.*

Captain F. R. W. K. Allen (temporarily).	Civil Surgeon, Raipur, Central Provinces.
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*North-West Frontier Province.*

Captain C. A. Bozman (temporarily).	Superintendent, Peshawar Jails, North-West Frontier Province.
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*Coorg.*

Captain A. M. Sheridan (temporarily).	Civil Surgeon, Coorg.
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*Government of India.*

Major W. R. Stewart (tenure appointment)	Surgeon to His Excellency the Viceroy.
Major R. C. Wats (temporarily).	Medical Research Department (Malaria Survey of India, Kasauli).
Captain M. G. Saincher (on deputation).	His Exalted Highness the Nizam's Medical Department, Hyderabad.

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ANGLO-SOVIET AGREEMENT.

118. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly place on the table of this House a copy of the recent Anglo-Soviet Agreement ?

THE HONOURABLE MR. T. A. STEWART : The Honourable Member is apparently referring to the Temporary Commercial Agreement between His Majesty's Government in the United Kingdom and the Government of the Union of Soviet Socialist Republics which was signed on the 16th February, 1934. The Agreement has been published in the Treaty series of Parliamentary papers a copy of which is being obtained and will be placed in the Library of the Legislature when received.

# DEFINITION OF "HARIJANS" OR "DEPRESSED CLASSES" FOR PURPOSES OF ELECTION.

119. THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will Government kindly state what definition they have finally adopted of "Harijans" or "Depressed classes" for each province for purposes of election to the various Legislatures and what communities or castes will be classed as such ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I invite the Honourable Member's attention to paragraph 4 of the Introductory Note to Appendices IV and V and to Appendix VIII of the White Paper.

THE HONOURABLE THE PRESIDENT : Mr. Ghosh Maulik.

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT : May I ask this question, Sir, on behalf of Mr. Ghosh Maulik ?

THE HONOURABLE THE PRESIDENT : Have you got permission from him to ask the question ?

THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT : No, Sir.

THE HONOURABLE THE PRESIDENT : I must inform Honourable Members that unless they have got permission from the Member who has put the question they should not rise and ask permission to put the question.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Verbally or in writing ?

THE HONOURABLE THE PRESIDENT : Any sort of permission. I will accept anything. However, probably the rule is not well known, so I will allow the questions to be put on the understanding that Honourable Members in future will be guided by the rule which I have now made.

## NUMBER OF OFFICERS HOLDING HIGH APPOINTMENTS IN THE POLITICAL DEPARTMENT OF THE GOVERNMENT OF INDIA.

120. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state :

(a) The number of Indians and Europeans holding high appointments in the Political Department ?

(b) The number from the Army and the number from the Civil Service ?

THE HONOURABLE MR. B. J. GLANCY : (a) and (b). A statement has been laid on the table giving the information required.

*Number of officers holding high appointments (i.e., selection and superior appointments) in the Political Department of the Government of India.*

Europeans.		Indians.	
Army.	Civil Services.	Army.	Civil Services.
47	23	2	3 (including one on foreign service as Administrator, Nabha).

**EXPENDITURE INCURRED ON THE PUBLIC SERVICE COMMISSION AND NUMBER OF INDIAN MEMBERS.**

**121. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state :

- (a) The cost of the upkeep of the Public Service Commission ?
- (b) The expenses incurred on the various examinations held under the auspices of the Public Service Commission ?
- (c) The number of Indian members of the Public Service Commission ?
- (d) Has any Indian up till now been appointed to hold the post of Chairman of the Public Service Commission ?

**THE HONOURABLE MR. M. G. HALLETT :** (a) The provision made for the current financial year is Rs. 3,56,000.

(b) The provision made for expenditure on examinations during the current financial year is Rs. 65,000.

(c) Two.

(d) No.

**LEAVE RESERVE FOR OFFICERS IN THE BRITISH OR INDIAN ARMY.**

**122. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state :

(a) What is the leave and other reserve of the officers (King's Commissioned) in the Indian Army ?

(b) The leave and other reserve for the officers in the British Army in India ?

(c) Is it a fact that Indians holding the King's Commission and serving in the Western Command do not get the same privileges with regard to leave, furlough or otherwise as are enjoyed by British officers ?

(d) Has any Army Order been issued from Army Headquarters to this effect ?

**THE HONOURABLE MR. M. G. HALLETT :** With your permission, Sir, I will answer this on behalf of His Excellency the Commander-in-Chief.

(a) and (b). There is no leave or any other kind of reserve of officers in the combatant units of either the British or the Indian Army.

(c) No.

(d) No.

**PERCENTAGE OF INDIAN MEDICAL SERVICE OFFICERS KEPT IN RESERVE FOR CIVIL EMPLOYMENT.**

**123. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT** (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : (a) Will Government be pleased to state what percentage of Indian Medical Service officers of the total Indian Medical Service cadre are kept in reserve for civil employment ?



(b) Are Royal Army Medical Corps officers ever employed in civil duties ?

(c) What is the difference in duties, etc., between an Indian Medical Service officer and an officer of the Royal Army Medical Corps ?

THE HONOURABLE MR. M. G. HALLETT : (a) No fixed percentage of Indian Medical Service officers is kept in reserve for civil employment but about 45 per cent. of the existing cadre are so employed at present.

(b) Yes, occasionally.

(c) There is no difference between the professional duties of Royal Army Medical Corps officers employed in India and those of Indian Medical Service officers, but generally, the former serve with British troops and the latter with Indian troops.

#### VOCATIONAL TRAINING OF INDIAN SOLDIERS WITH A VIEW TO EMPLOYMENT IN CIVIL LIFE AFTER DISCHARGE.

124. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Are Indian troops allowed any facilities to learn tradesmen's jobs such as are allowed to British soldiers ?

THE HONOURABLE MR. M. G. HALLETT : In certain branches of the army, Indian troops receive technical training as part of their work but there is no provision for vocational training with a view to employment in civil life after discharge.

#### SPECIAL CONCESSION RATE FOR CONVEYANCE OF MOTOR CARS BELONGING TO RAILWAY OFFICERS.

125. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : Will Government be pleased to state if there is any special concession rate for the conveyance of motor cars of railway officers ?

THE HONOURABLE SIR GUTHRIE RUSSELL : There is no special rate of general application over all railways in India. Certain railways, however, allow free passes, or carriage at concession rates, for motor cars of officers, on certain stated occasions, according to the particular conditions obtaining on each railway system.

#### REVENUE DERIVED FROM INCOME-TAX IN EACH PROVINCE.

126. THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (on behalf of the Honourable Mr. Satyendra Chandra Ghosh Maulik) : (a) Will Government be pleased to state what is the revenue derived from income-tax in each province ? Is it a fact that the largest amount is collected from Bengal ?

(b) Has any Indian held the post of Income-tax Commissioner in Bengal ? If so, when, and for how long ?

THE HONOURABLE SIR ALAN PARSONS : (a) A statement is laid on the table.

(b) Yes, for twelve days from 3rd November, 1933.

*Statement showing the net revenue derived from taxes on income (i.e., income-tax and super-tax) in the various provinces during 1932-33.*

	Rs.
1. Madras . . . . .	1,67,98,748
2. Bombay . . . . .	4,62,23,157
3. Bengal . . . . .	4,39,80,242
4. United Provinces . . . . .	1,16,00,377
5. Punjab . . . . .	86,90,484
6. Burma . . . . .	1,74,16,122
7. Bihar and Orissa . . . . .	68,71,745
8. Central Provinces and Berar . . . . .	38,53,422
9. Assam . . . . .	19,39,754
10. North-West Frontier Province . . . . .	11,73,980

### SHORT NOTICE QUESTION AND ANSWER.

THE HONOURABLE THE PRESIDENT (to the Honourable Mr. Miller) : You have got a short notice question? If the Member in charge does not object to it, I have no objection.

THE HONOURABLE MR. T. A. STEWART : I have no objection, Sir.

#### APPOINTMENT OF A JOINT COMMITTEE OF BOTH HOUSES TO EXAMINE THE WORKING OF THE OTTAWA AGREEMENT.

127. THE HONOURABLE MR. E. MILLER : Will Government be pleased to state whether it is proposed to appoint a Joint Committee of both Houses to examine the working of the Ottawa Agreement. If so, when will this Committee meet ?

THE HONOURABLE MR. T. A. STEWART : It is not proposed to appoint a Joint Committee of both Houses to examine the working of the Ottawa Agreement but I shall move, in the course of the present session, for the appointment of a Committee of this Council for that purpose in accordance with the terms of the Resolution adopted on 20th March, 1933.

THE HONOURABLE MR. E. MILLER : May I enquire if it was the intention of Government originally to appoint a Joint Committee and, if so, why this is not being given effect to ?

THE HONOURABLE MR. T. A. STEWART : Sir, from the record of the debate when the Resolution to which I referred was adopted it appears that it was the intention of Government that there should not be a Joint Select Committee. The Honourable the Leader of the Opposition moved that there should be a Joint Select Committee appointed and my predecessor, the Honourable Mr. Drake, moved an amendment which was accepted by the Leader of the Opposition.

THE HONOURABLE THE PRESIDENT : You refer, of course, to the statement made by the Honourable Mr. Drake in this House ?

THE HONOURABLE MR. T. A. STEWART : Yes, Sir.

**THE HONOURABLE THE PRESIDENT:** Do you remember what was said in the other House? If you are not in a position to answer, I do not press it.

**THE HONOURABLE MR. T. A. STEWART:** Sir, what happened in the other House, to the best of my recollection, was this. The Committee which examined the Ottawa Agreement before it was approved in the other House made a recommendation that the working of the Agreement should be examined by a Committee of that House. That recommendation was accepted by the Honourable the Commerce Member.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY:** Does not the Government of India recognize that unlike the other Second Chambers, the Council of State in India is not only a revising House but also deals with financial and monetary matters and discusses the budget?

**THE HONOURABLE THE PRESIDENT:** The Honourable Member is labouring under some confusion. We are not now dealing with Bills where under the Standing Orders, a Joint Select Committee of both Houses can be appointed. This is only an examining Committee and it rests with Government either to have a Joint Committee of both Houses or separate Committees of each individual House.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY:** It brings in revenue also.

## STATEMENTS LAID ON THE TABLE.

### COMMERCIAL TREATIES AND NOTES AFFECTING INDIA.

**THE HONOURABLE MR. T. A. STEWART (Commerce Secretary):** Sir, I beg to lay on the table a further list of Commercial Treaties and Notes affecting India.

#### PART I.

The Notes mentioned in this part provide for the prolongation up to the 16th February, 1934 under the same conditions as now obtaining of the Provisional Commercial Agreement concluded between the Egyptian Government and the Government of the United Kingdom and Northern Ireland by the Notes dated 5th—7th June, 1930.

Country.	Nature of Agreement.	Description	Date.
Egypt . . .	Notes . . .	Commerce . . .	February 16th—19th, 1933.

#### PART II.

Agreements to which India is a party.

*Nil.*

# **RULES GOVERNING RECRUITMENT TO THE PROVINCIAL AND SUBORDINATE SERVICES OF THE GOVERNMENT OF BOMBAY.**

**THE HONOURABLE MR. M. G. HALLETT** (Home Secretary): Sir, I lay on the table a statement containing the information promised in reply to parts (b), (d) and (e) of the Honourable Sardar Shri Jagannath Maharaj Pandit's question No. 72 on the 7th March, 1934.

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(b) Under the Bombay Civil Services Recruitment Rules no person who is not a native of the Bombay Presidency may ordinarily be appointed to any post in the provincial or subordinate services. This rule may be relaxed in special cases by the Government.

(d) No.

(e) If other things are equal, natives of the Bombay Presidency are naturally given preference over others in recruitment to offices in that Presidency under the control of the Central Government.

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## **BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.**

**SECRETARY OF THE COUNCIL:** Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill to protect the Administrations of States in India which are under the suzerainty of His Majesty from activities which tend to subvert, or to excite disaffection towards, or to obstruct such Administrations, which was passed by the Legislative Assembly at its meeting held on the 11th April, 1934.

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## **MOTION FOR THE ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.**

**THE HONOURABLE SIR GUTHRIE RUSSELL** (Chief Commissioner for Railways): Sir, I move:

"That this Council do proceed to elect in such manner as may be approved by the Honourable the President, six non-official Members from the Council who shall be required to serve on the Central Advisory Council for Railways."

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD:** Sir, I understand that in the Legislative Assembly, the other day, a desire having been expressed that the proceedings of the Central Advisory Council for Railways should be circulated to the Members of that House, the Honourable the Railway Member undertook to do so if necessary. I hope that if the proceedings of the Committee are circulated to the Members of the Lower House, Government will be pleased to circulate them to the Members of this House also.

**THE HONOURABLE SIR GUTHRIE RUSSELL:** Sir, if arrangements are made to circulate these proceedings to Members of the Legislative Assembly they will certainly be circulated to Honourable Members of this House also.

The Motion was adopted.

**MOTION FOR THE ELECTION OF ONE MUSLIM NON-OFFICIAL MEMBER TO THE STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ VICE THE HONOURABLE MR. HOSSAIN IMAM, RESIGNED.**

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Sir, I beg to move :

“ That this Council do proceed to elect, in such manner as the Honourable the President may direct, one Muslim Member to sit on the Standing Committee on Pilgrimage to the Hejaz in the vacancy caused by the resignation of his seat on the Committee by the Honourable Mr. Hossain Imam.”

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT:** As both these Motions have been adopted, I declare that nominations for the Central Advisory Council for Railways and the Standing Committee on Pilgrimage to the Hejaz will be received up to 11 A.M. on Monday, the 16th April, 1934.

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**INDIAN TRUSTS (AMENDMENT) BILL.**

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Sir, I move :

“ That the Bill further to amend the Indian Trusts Act, 1882, for a certain purpose, be taken into consideration.”

I introduced this Bill, Sir, on the 28th March, 1934, and, explained its purport and showed that the Bill was of a non-controversial nature. There is but little to add to what I said that day and that little is that I am now convinced that the Provincial Governments are not only willing and ready but most anxious that this Bill be passed at the earliest possible opportunity.

Sir, I move.

**THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD** (United Provinces Northern : Non-Muhammadan): Sir, this Bill is no doubt non-controversial and does not therefore require any speeches in support. If I rise to speak on the Motion, I do so just to express our gratification at the action of the Government in bringing forward a legislative measure directly in this Council. I hope, Sir, that this will be the precursor of more Bills being introduced in this House from time to time.

**THE HONOURABLE SIR DAVID DEVADOSS** (Nominated Indian Christians): Sir, this is a very important measure, and coming as I do from Madras I am really thankful to the Government for pushing this legislation through. Land mortgage banks are quite a new institution and they require considerable financial support. By allowing trustees to invest in the shares of land mortgage banks and also to deposit money therein, I think it will not only be benefitting the trusts, religious and charitable, in the country, but also the land mortgage banks which are really intended to help the agricultural population.

Sir, as Honourable Members know very well, the position of a trustee is a very onerous one. He is held liable for funds in his possession unless he invests them in securities which are recognized by the law under the Trusts Act and which are known as trustee securities. Land mortgage banks being assured of help from the Government, it is but right and proper that trustees should be allowed whenever necessary to deposit surplus funds in land mortgage banks. I therefore strongly support this measure and am really grateful to Government for bringing this forward especially at a time when it is most needed.

THE HONOURABLE THE PRESIDENT : The Question is :

" That the Bill further to amend the Indian Trusts Act, 1882, for a certain purpose, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Sir, I move :

" That the Bill further to amend the Indian Trusts Act, 1882, for a certain purpose, be passed."

The Motion was adopted.

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#### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : I have no occasion to suggest, Sir, that the Bill which has been laid on the table today should be taken with any curtailment of the normal period of notice. I propose therefore that it be proceeded with on Monday next.

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The Council then adjourned till Eleven of the Clock on Monday, the 16th April, 1934.

Sir, as Honourable Members know very well, the position of a trustee is a very onerous one. He is held liable for funds in his possession unless he invests them in securities which are recognized by the law under the Trusts Act and which are known as trustee securities. Land mortgage banks being assured of help from the Government, it is but right and proper that trustees should be allowed whenever necessary to deposit surplus funds in land mortgage banks. I therefore strongly support this measure and am really gratified to Government for bringing this forward especially at a time when it is needed.

THE PRESIDENT : The Question is :

Indian Trusts Act, 1882, for a certain purpose.

At the 10th.

## COUNCIL OF STATE.

*Monday, 16th April, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### MEMBER SWORN :

The Honourable Mr. Sidheshwari Prasad Varma (Government of India : Nominated Official).

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### SHORT NOTICE QUESTIONS AND ANSWERS.

THE HONOURABLE THE PRESIDENT: There are three short notice questions and if the Honourable Member in charge of the Department has no objection, I will allow them.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): No objection, Sir.

### DISSOLUTION OF THE LEGISLATIVE ASSEMBLY.

128. THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Do Government propose to dissolve the present Assembly and hold new elections? If so, when? If not, why not?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Government hope to be in a position to make a statement on the subject before the close of the current session.

### ATTITUDE OF GOVERNMENT TOWARDS THE MEETING OF CONGRESS LEADERS IN VIEW OF MR. GANDHI'S ANNOUNCEMENT REGARDING THE SUSPENSION OF THE CIVIL DISOBEDIENCE MOVEMENT.

129. THE HONOURABLE RAI BAHADUR LALA JAGADISH PRASAD: (a) Has the attention of Government been drawn to the latest newspaper reports announcing the decision of Mahatma Gandhi to suspend civil resistance for Swaraj?

(b) In view of this, will Government be pleased to state if Government has now any objection to the Congress or the All-India Congress Committee holding their session?

(For reply, see under question No. 130.)

130. THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: (a) Has the attention of Government been drawn to the statement of Mahatma Gandhi appearing in the *Hindustan Times* of 8th April and other newspapers?



(b) In view of the fact that Mahatma Gandhi has advised congressmen to abandon civil disobedience as a measure to attain Swaraj, do Government propose to lift the ban on the Congress and allow the Congress leaders to hold a session of the Indian National Congress to consider Mahatma Gandhi's statement and the proposals about Council entry of the newly formed Swaraj Party ?

(c) Do Government propose to revise their policy with regard to the civil disobedience prisoners and release them to consider Mahatma Gandhi's statement and the proposals of the newly formed Swaraj Party ?

**THE HONOURABLE MR. M. G. HALLETT :** With your permission, Sir, I propose to reply to both these questions together.

(1) The Government propose to raise no obstacle to a meeting of the All-India Congress Committee or, if the Congress leaders so prefer, of the Indian National Congress for the purpose of ratifying the statement of policy recently made by Mr. Gandhi and calling off civil disobedience.

(2) If such a meeting is held, and if Government are satisfied that as a result of the meeting civil disobedience has been called off, Government will certainly review their policy towards the various Congress organisations.

(3) With reference to the question of the release of prisoners who have been convicted for offences connected with civil disobedience the Honourable the Home Member explained in the Assembly in August last that Local Governments have been releasing civil disobedience prisoners before the expiration of their sentences if they were satisfied that such releases were not likely to encourage the revival of civil disobedience ; that is a policy which Government intend to continue. If civil disobedience is called off effectively the policy of release will naturally be expedited.

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#### RULING *RE* PUTTING OF QUESTIONS STANDING IN THE NAMES OF ABSENT MEMBERS.

**THE HONOURABLE THE PRESIDENT :** Honourable Members, I am afraid I must refer again at some length to the ruling which I gave at the last meeting of the Council of State when the Honourable Sardar Shri Jagannath Maharaj Pandit asked permission of the Chair to put certain questions standing in the name of an absent Member, and I enquired of the Honourable Member if he had obtained permission from the absent Member to ask the said questions. On the Honourable Member replying in the negative I gave my ruling that unless the Honourable Member has obtained permission from the absent Member whose questions appear on the list of questions he should not ask for such permission. Thereupon, the Honourable Mr. Mahmood Suhrawardy raised an important issue whether the permission required from the absent Member should be verbal or in writing. I then stated that I would accept any sort of permission whether it was given in writing or verbally communicated. As it seemed to me then that this ruling regarding the obtaining of permission was not generally well understood I allowed the Honourable Member to put the questions on the understanding that Honourable Members in future shall be guided by the ruling which I had then pronounced. Since then I have refreshed my memory by reference to the proceedings of the Central Legislatures and other works of reference, and I have come to the conclusion that it is necessary as the matter is not well understood by many

**Honourable Members** that I should give a clear and definite ruling on this subject. At the outset I would like to draw the attention of the Honourable Members to Standing Order 18 which states that :

“ If on a question being called it is not put or the Member in whose name it stands is absent, the President, at the request of any Member, may direct that the answer to it be given ”.

There is no doubt that under this Standing Order it is within the absolute discretion of the President to direct or refuse to direct that the answer be given and that it is within his discretion to lay down a general rule that he will not direct the answer to be given unless the Member making a request has been authorized by the Member in whose name the question stands. It is needless to remark that this absolute discretion of the President has to be exercised soundly and not arbitrarily and in conformity with the precedents laid down elsewhere and in this House and also in conformity with the convention, if any, in the absence of any express rules or regulations. During the period of my Presidentship I have invariably given permission to Honourable Members to ask questions on behalf of absent Members on the presumption and under the belief that the Honourable Member who seeks permission to put the question is doing so on the authority delegated to him by the absent Member. In my opinion, the Honourable Member who gives notice of a question and is about to leave the Council and is not likely to be present at the meeting when the question will appear on the list of business is under an obligation to inform the department not to place the question on the list of business during his absence or to delegate authority to his brother Member to ask the question on his behalf. As I read the Standing Order 18 it is clear to my mind that there is an implied delegation of authority by the absent Member to the other Member as a condition precedent to put the question on his behalf. In the matter of interpellation it appears that this privilege is only exercisable on behalf of the absent Member to put the question provided the latter has delegated his authority in that behalf. In order to correctly comprehend the situation a brief reference be made to Resolutions and Bills. In the case of a Resolution a Member in whose name the Resolution stands on the list of business shall when called on either withdraw the Resolution or move the Resolution and there is no such delegation of authority either implied or express to any other Member to move the Resolution on behalf of the absent Member. The only exception made is by Proviso to Standing Order 60 :

“ that the Member may, with the permission of the President, authorize any other Member in whose name the same Resolution stands lower in the list of business to move it on his behalf, and the Member so authorized may move accordingly.”

But in that case the Member in whose name the prior Resolution stands is himself present. It is distinctly stated in that Standing Order that :

“ If the Member when called on is absent, the Resolution standing in his name shall be deemed to have been withdrawn ”.

In the case of Bills a similar disability exists. Under rule 20(A) :

“ no Motion that a Bill be taken into consideration or be passed shall be made by any Member other than the Member in charge of the Bill ”.;

and even written authorization given by the absent Member to another Member would not entitle the latter to make a Motion for the consideration or for the passing of any Bill.

[Mr. President.]

In this connection I would like to draw the attention of Honourable Members to a ruling which was given by my brother President in the Legislative Assembly on the 1st of April, 1933 when the Honourable Sir (then Mr.) R. K. Shanmukham Chetty remarked thus :

“ The Chair has observed that some Honourable Members are in the habit of sending a string of questions and are not in their places when those questions are asked. The Chair strongly deprecates such practice, and it has now decided that if an Honourable Member who has sent questions is not in a position to be present in his seat to ask his questions, he must authorize some other Honourable Member in writing to do so, and the authorization must be sent to the President. In the absence of such authorization, these questions will be treated as unstarred questions and the answers will be incorporated in the proceedings ”.

I would also like to point out that in the House of Commons the rule is that any Member may ask a question for an absent Member at his request (May's Parliamentary Practice, 13th Edition, page 244). The words used there are “ at his request ” which implies authorization. It is not stated by May in his work that the request must be in writing, but I presume that must be the case. On the 26th April, 1920 a question was raised in the House of Commons whether there is any limit to the number of questions which one Member is permitted to ask on behalf of the absent Member and it was then also pertinently suggested that if this custom of asking questions by proxy be carried further, will it not result in two or three Members continually asking questions for a large number of absent Members ? The then Speaker of the House of Commons, the Right Honourable J. W. Lowther, appropriately remarked that :

“ With regard to the question whether Honourable Members are entitled to ask questions on behalf of other Honourable Members, of course, if there were any abuse of that rule the House probably would feel that the time had come when there should be some limit to the practice ”.

In the House of Commons the practice seems to be that ordinarily all those Members who are present are allowed first to ask questions standing against their names and then on going through the questions a second time any Honourable Member might ask questions on behalf of the absent Members.

In the Council of State no general rule of this nature has been laid down before. In order to avoid any misunderstanding in future on this very important point I have decided that this must be done now and that in all points of substance the Assembly practice might suitably be adopted, i.e., the Member desiring to put the question for the absent Member should in all cases be required to produce a written authorization from the absent Member and hand in the same to the President before the commencement of the meeting at which the question is to be put. I trust this ruling of mine which is in consonance with precedence elsewhere and with the practice now prevailing in the Assembly will be followed by the Honourable Members of this House, as it will on one hand discourage the habit of sending a string of questions and the Members failing to be in their places when those questions come up before the House and on the other hand it will tend to the establishment of a uniformity of practice both in the Council of State and the Legislative Assembly and further such written authorization will absolve Members who act as proxies of the personal responsibilities naturally arising in asking such questions.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, may I ask one question in this connection ? How are the Members to know that the questions of which they have given notice will be put on a certain date ? For instance, Sir, if the notice of the question has been given and the answer is coming after say two or three weeks, then how will the Member know that his question will be answered on that particular day so that he may give his authority to others in writing ?

**THE HONOURABLE THE PRESIDENT :** Ordinarily an Honourable Member is supposed to be present throughout the session but if he wishes to go away he can ascertain from the Department when his question is likely to come.

## STATEMENTS LAID ON THE TABLE.

### SLAUGHTER OF WILD CATTLE AT THE MILITARY GRASS FARM, MANJHA.

**THE HONOURABLE MR. M. G. HALLETT (Home Secretary)** Sir, on behalf of the Commander-in-Chief I lay on the table information promised in reply to questions Nos. 107 and 108 asked by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra on the 28th March, 1934.

107. (a) With the concurrence of the civil authorities and after due warning had been given to local residents the military authorities gave orders for the slaughter of wild cattle which had been doing considerable damage on military land in the neighbourhood for years past. The cattle were to be slaughtered in closed-in slaughter houses well within the boundary of the Military Grass Farm, and out of sight of the public.

(b) I am prepared to accept the Honourable Member's statement.

(c) At the last moment a complaint was received and it was agreed to suspend the slaughter of these cattle on the conditions that the inhabitants of Fyzabad would (i) pay compensation to the butchery contractor to cover the expenses incurred by him in arranging for the catching and slaughtering of the cattle, (ii) take immediate steps to rid the Military Grass Farm of the wild cattle and (iii) provide, with the assistance of the Military Farms Department, a fence round it for future protection.

(d) No. The butchery contractor engaged cattle catchers from the Punjab.

(e) I am not aware of the exact figure which was agreed upon as compensation under (c) (i) above.

108. (a) and (b). The matter has been engaging the attention of the local civil and military authorities and it is hoped that a satisfactory settlement will be reached soon. I would, however, refer the Honourable Member to the last sentence of my reply to part (a) of his question No. 107.

### TRANSPORT OF TROOPS BETWEEN INDIA AND ENGLAND.

**THE HONOURABLE MR. M. G. HALLETT (Home Secretary) :** Sir, on behalf of the Commander-in-Chief I lay on the table the information promised in reply to question No. 114 asked by the Honourable Raja Raghunandan Prasad Singh on the 28th March, 1934.

114. (a) and (b). The Honourable Member presumably refers to the cost of the carriage of troops by transport and freightship between British and Indian ports. The cost in 1913-14 and 1925-26 was respectively £342,409 and £834,376. The figure for 1933-34 is not yet available but that for 1932-33 was £536,943.

The Board of Trade in England makes contracts with Shipping Companies on behalf of the Imperial Government and the Government of India for the annual transport of troops. Most of the transport work is done in ships reserved exclusively for Government service. In the case of such ships, tenders are not invited, as vessels suitable for the purpose without considerable and very costly adaptation are owned only by one or two companies. The first contract with these companies is usually for five years, and thereafter it is renewed annually. When accommodation for a specific voyage has to be engaged in ships not wholly reserved for Government, tenders are called for.

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**MOTION FOR THE ELECTION OF ONE NON-OFFICIAL MEMBER  
TO THE STANDING COMMITTEE ON EMIGRATION *VICE* THE  
HONOURABLE SIR KURMA VENKATA REDDI.**

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN**  
(Education, Health and Lands Member): Sir, I move :

"That this Council do proceed to elect, in such manner as the Honourable the President may direct, one non-official member to sit on the Standing Committee on Emigration *vice* the Honourable Sir Kurma Reddi."

The Motion was adopted.

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**THE HONOURABLE MR. T. A. STEWART** (Commerce Secretary): Sir, I do not wish to move\* today.

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**MOTION FOR THE ELECTION OF THREE NON-OFFICIAL MEMBERS  
TO THE STANDING COMMITTEE FOR ROADS.**

**THE HONOURABLE MR. D. G. MITCHELL** (Industries and Labour Secretary): Sir, I move :

"That this Council do proceed to the election, in such method as may be approved by the Honourable the President, of three Members to serve on the Standing Committee for Roads which will be constituted to advise the Governor General in Council in the administration of the Road Account during the financial year 1934-35."

Sir, this Motion is somewhat premature but my intention is that the preliminaries may now be undertaken and the Members may think about their nominations and that thereby perhaps some time may be saved.

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT:** With reference to the two Motions which have just been adopted, I declare that nominations for these Committees will be received up to 11 A.M. on Wednesday, the 18th April, 1934.

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**INDIAN STATES (PROTECTION) BILL.**

**THE HONOURABLE MR. M. G. HALLETT** (Home Secretary): Sir, I move :

"That the Bill to protect the administrations of States in India which are under the suzerainty of His Majesty from activities which tend to subvert, or to excite disaffection towards, or to obstruct such administrations, as passed by the Legislative Assembly, be taken into consideration."

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\*Motion for the election of a Committee to inquire into and report on the working of and results achieved from the Ottawa Agreement.

Sir, for the second time during my short tenure of office as a Member of this Council it is my duty to put forward for acceptance of this Council a Bill designed to amend and supplement the criminal law of India. I trust that Honourable Members will give me the same support that they did on a previous occasion and will have no hesitation in accepting this Bill on its merits and thereby giving to the administrations of the Indian States the protection which they need and the protection which it is in the interests not only of the States themselves but of British India to give. When the Indian Penal Code and the Code of Criminal Procedure were first enacted some 70 years ago, it no doubt appeared that those Codes covered every possible form of criminal activity, every illegal activity, that tended to interfere with the peace and prosperity of this country or with the well-being of its inhabitants. During the peaceful years of the Victorian Age, during the last years of the 19th Century and the opening years of the 20th Century, that was no doubt the case. But unfortunately, in more recent times, we have been living in an era of change. In such an era there are always those people who drop the motto "More haste worse speed" and who seek to secure their ends by revolution rather than by evolution, and who adopt unconstitutional rather than constitutional methods of effecting the changes which they have in view. Thus, Sir, our experience has been that many movements may be started directed against Government which tend to cause widespread agitation and serious disturbances of the public peace. In British India we have powers under the Penal Code and the various Acts by which it has been supplemented more recently to deal with such movements. In the Indian States, all of which have adopted and followed the criminal law of British India, the administrations of the States have power to deal with such movements if the agitation is confined to the limits of the States themselves. But British India and the Indian States (Indian India) are inextricably intermingled. There are no great natural boundaries, no rivers, seas or mountains; there is only an imaginary dividing line. You pass without knowing it from one to the other. Not merely are there no natural boundaries, but there are no racial barriers. The people of Indian India and British India are one. It is thus not difficult, if people are discontented with the administration of an Indian State, to seek shelter and to concoct their plots, or conspiracies or agitation within the adjacent territory of British India. In this respect, British India and Indian India are, if I may say so, in two water-tight compartments, and if I may quote from a statement which I saw recently made by one of India's representatives on the Round Table Conference, a lady who is well known to many Members of this House,

"it is impossible to visualise a happy state in a country where the two separate parts are in two water-tight compartments as Indian India and British India".

If that view is accepted, and I think it must be, it brings me to what is the main object of this Bill that I am moving for the consideration of this House. Its underlying principle is to extend to the administration of Indian States the same measure of protection from activities directed against these administrations as the Governments of British India already enjoy. As I shall show later in some respects it does little more than give to the administrations of these States the protection which is enjoyed in British India by every resident thereof against unlawful interference with his activities by ill-disposed neighbours, and these States, whether large or small, and under whatever form of government they may be governed, do merit this protection and this protection should be given to them. If I may quote from one of the speeches delivered by the Honourable the Law Member in another place,

"the principle underlying the Bill is the law of neighbourliness",

[Mr. M. G. Hallett.]

We have got these States dotted all over India, and we in India are their neighbours. As neighbours they are entitled to help and protection from us. We as good neighbours should protect them from mischievous activities initiated or carried on in our territory. There is a further reason why we should do so. By granting this protection we shall not merely be helping our neighbours but we shall be helping ourselves, to put it on a more selfish line. Serious disturbances in a State cannot but have serious reactions in British India, which, as I have said, is inextricably intermingled with the States, and any such disturbances must tend to impair the general stability of the country and the peace and prosperity of the Empire. The measure is thus as much in the interests of British India as of Indian India.

A further reason why we desire to put forward this Bill is that it is a measure of reciprocity. The States have always shown themselves ready to help British India in times of emergency or trouble. They have shown themselves prepared to help us if agitators against Government resort to their territories. It is up to us, therefore, to put ourselves in a position to reciprocate and to be able to give them help promptly when it is needed. I emphasise the word "promptly". If a subversive movement starts, a delay of over a few days or a few weeks may result in the spread of the movement. The agitation spreads quickly, and we cannot under such circumstances wait for *ad hoc* legislation to deal with the evil. We do not wish to use our power which exists under the Constitution of advising the Governor General to issue an Ordinance. We desire, therefore, to have the powers permanently on the Statute-book to be used promptly when the necessity arises. I trust that the necessity will not arise, and I may express the hope that the very fact that these powers are on the Statute-book and that we have got the power to deal with any unconstitutional agitation which may be carried on in British India against the State will have the effect of preventing ill-disposed persons from attempting to create trouble in this way.

These are the main reasons why this Bill has been put forward. I will now refer briefly to what I may call the negative side of the question. The Bill has been attacked on the ground that it will prevent criticism of the administrations in the State. That is not in the least its object. If the subjects of a State have grievances there is nothing in this Bill to prevent legitimate ventilation of those grievances in British India by the press or by other means. There is nothing to prevent them putting forward proposals for reform in a constitutional manner. It is merely aimed against unconstitutional methods, against illegal agitation and against what follows from that, subversive movements.

To turn now to the details of the Bill, I gather that as only one notice of amendment has been received, Members of the Council of State are generally satisfied as to the necessity and the suitability of clauses 2, 4 and 5 of the Bill and the consequent clauses. Clause 2 is a simple one. It prohibits conspiracy against the States and gives to the States much the same protection as is afforded by section 124A of the Indian Penal Code to the Government of British India. When evilly disposed persons wish to overthrow the Government of a State they work first in secret. We cannot afford to wait till they commit some overt act. We must nip the evil in the bud and stop it at the earliest opportunity, and this section will give us power to do so. A safeguard has been inserted during the discussions in the other place and a section has been added that no prosecution shall take place under this section except with the sanction or by the authority of the Governor General in Council or of a Local Government. Clause 5 also needs no very lengthy explanation. It gives

protection which is enjoyed in British India both by Government and by individuals. If there is a dispute in British India between two rival zemindars and if one of those zemindars gathers together a crowd of bad characters with the object of committing mischief or criminal trespass on his neighbour's land, that crowd is under the law of British India an unlawful assembly; members of it can be prosecuted, the police can take steps to disperse it. But if such a crowd collects within British India with the object of marching into a State and committing those very offences or others of the same kind that I have mentioned, we have no power to deal with it. The local authorities, the local police are entirely impotent, and the result is that *jathas* are formed which march into the territories of a State and tend to increase disturbances which are going on there. Clause 5 again does little more than give the same protection as is afforded to residents in British India by section 144 of the Criminal Procedure Code. It is a preventive section designed to stop the activities of organisers of subversive movements at the earliest stage before the stage of *jathas* or unlawful assemblies has been reached. It will I hope tend to save innocent unoffending residents of British India from being duped or cajoled into supporting any subversive movement against a State. Both these sections 4 and 5, it is true, give very considerable power to the local authorities, to the district magistrate, but it is to be noted that they are not in force at once and it is only after those sections have been extended by an order of the Governor General or a Local Government that the district officer has power to take action under these sections.

Finally I come to clause 3, about which probably there will be more discussion later. My friend Mr. Glancy is more competent to speak on that clause than I am and I trust he will have an opportunity of doing so when we consider the amendment of which notice has been given. I would only make a few general points. In an article on the Bill which I read in the press a short time ago, the author of the article divided the press into three categories, respectable, rapacious and reptile. Probably the last two categories somewhat overlap, but if this classification is correct, and I am afraid it must be admitted there is a good deal of truth underlying it, then I would make the point that it is only against the two last categories that this Bill is directed, against the rapacious and the reptile press. It will not interfere with constitutional or legitimate criticism, however trenchant, that may be made. During the discussions in another place the clause has been modified by the addition of an Explanation, so as to meet the criticism that in the case of some ill-administered States—their number is I trust and believe very small—a mere recital of facts might stir up hatred and contempt against the administration. The Explanation which has been added makes it quite clear that a statement of facts, that is to say a statement of true facts, does not come within the mischief of this clause unless it is made with malicious intention. This will be an effective safeguard against the use of this clause to prevent legitimate ventilation of grievances. A further safeguard which has been made clear by an amendment inserted at the Select Committee stage is that the order of the executive authorities can be referred to a High Court. We are in fact by this section merely restoring to the States the protection which they enjoyed for many years when the old Press Act of 1910 was in force. We have learnt by experience both in British India and in dealing with the press attacks on the States that in dealing with the press prevention is better than punishment. If the editor or the dummy editor of some petty little paper is prosecuted and probably convicted, that merely serves to give him a gratuitous advertisement. It does not stop the evil but merely gives publicity to his attempt. Our experience has been therefore that the safest course is to require those responsible for the



[Mr. M. G. Hallett.]

conduct of a newspaper to deposit security which in the event of their infringing the law may be forfeited. We have it is true an Act, the Indian States (Protection Against Disaffection) Act, but our experience has been that that Act is ineffective. One case brought under that Act has I believe been going on for something like three or four years. I am not certain whether it has even yet finished. That shows how ineffective an Act of that kind, which merely gives power to prosecute, is when dealing with newspaper attacks on the States.

I do not think I need say more on the provisions of this Act. It does I think make a step forward in the relations between British India and the Indian States. It does I think emphasise the unity of the two component parts of the Indian Empire, and it does emphasise the partnership that exists and must exist between them. It will I trust, if it is passed, facilitate the smooth working of that ideal which we all have in mind, the federation of India.

Sir, I move.

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR** (Central Provinces : General) : Sir, in speaking on this Bill, I have to work under great difficulties. The Standing Orders and Rules do not allow us to ask a question or to move a Resolution and speak on the administration of ruling princes. Under such circumstances, Sir, one really feels handicapped in discussing this Bill when this Bill is designed to protect the administrations of States in India which are under the suzerainty of the British Government.

**THE HONOURABLE THE PRESIDENT** : May I tell the Honourable Member that he is in no way handicapped in discussing the provisions of this Bill ?

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR** : I am so glad. I will try my utmost to discuss it within the Standing Orders as far as possible.

The underlying principle of this Bill, as stated in the statement of objects and reasons, is to protect the administration of the Indian States from attacks in British India. Further, it is stated that as units of Federation which we expect soon, those Indian States deserve protection from attacks in British India and therefore this measure has been introduced. In this connection, Sir, I have to state briefly the short history of the various Acts which have been passed in the past. In 1910 the Press Act was passed in which provisions nearly analogous to those contained in clause 3 of the present Bill were introduced. After that, Sir, the Press Committee after the introduction of the Montagu-Chelmsford Reforms examined the whole question thoroughly and they came to the conclusion that in repealing the Press Act as a whole they need not retain the provisions which were designed to afford protection to the administration of the Indian States. Here, Sir, I quote a sentence or two from the report of the Press Committee :

“ We understood that before the Press Act became law it was not found necessary to protect Indian Princes from such attacks and we know that the Act, so far as the evidence before us shows, has only been used on three occasions for this purpose. We do not in the circumstances think that we should be justified in recommending on general grounds any enactment in the Penal Code or elsewhere for the purpose of affording such protection in the absence of evidence to prove the practical necessity for such a provision of the law ”.

So from 1910 to 1921 I understand there were only three prosecutions against editors of newspapers and, if I may say so, Sir, that reflects great credit on the Indian press. After the abolition of the Press Act, in 1922 an Act was passed under section 67B of the Government of India Act, because the Assembly rejected even the introduction of a less stringent measure than the one under discussion now and so under the certifying powers the Act of 1922 was passed. The difference between this Bill and that Act is that according to me that Act provided for a judicial trial, while in this Bill we find that executive action is being substituted for judicial trial. But even that Act, Sir, was defeated as popular opinion was against it. After the Act became law under the certifying powers of His Excellency the Viceroy, I understand that only three editors have been prosecuted up till now and that also shows the deterrent effect of that Act and it proves—proves to the hilt—that there is no further necessity for any measure of the kind before us, if I may say so.

At the outset, Sir, I might make it perfectly plain to the House that I am not at all against the princes. I do not want to attack their administration ; but I really desire that if there is maladministration or misrule in States , they must take early steps to improve their administration, because, after all, the princes are Indians and I, as an Indian, will be proud of any administration of a prince if it comes up to the level of the present standard of administration in British India. Mention has been made both today here and in the other House about malicious attacks on the princes and their administration, about *jathas* and incursions or raids in their provinces from people in British India and so on. My submission is, What is at the root of all this agitation ? If there are malicious attacks, you have got the Act of 1922 and you can take advantage of it. I will come to the grounds later on in my speech which have been put forward that the Act does not work properly. But my first point is : Is there a real need or have the princes made a demand that they desire protection from attacks in British India ? I understand, Sir, that in 1930 the Chamber of Princes made a demand like that but after that at least I have not heard of any demand on the part of the princes to pass this measure. We have not been supplied with information that the princes really do demand this sort of measure for protecting their administration against attack and therefore, Sir, we are not in a position to decide whether any urgent necessity exists for passing this emergency measure. If I have followed the speech of the Honourable the Home Member correctly, he has raised three points, the most important of which is that the paternal administration of the Indian States should not be disturbed. Well, Sir, I do not want to disturb that paternal administration by criminal force or by direct action, but I submit that I do really want the princes to introduce modern administration in their States and I do really want that they should move with the times. Political institutions on democratic lines are coming into existence throughout the world. We here in British India have got reforms and are craving for more reforms. I cannot for a moment understand how the subjects of the States will be free from this. They read books, they read newspapers. They know that their brothers in British India are getting reforms. They know that the provincial administration is going to become autonomous and they know that they have to submit to a one-man rule which, with a few exceptions, is the so-called despotic rule of an Indian prince. So, Sir, how can we afford to check that legitimate aspiration of the subjects of the Indian States ? Political institutions, I submit, are not geological or archaeological things to be kept in the Delhi Museum. They are things of daily life and they affect the well-being of the subjects of the State. So, Sir, it is for us not to stop the natural process of evolution.

[ Mr. Vinayak Vithal Kalikar. ]

It is stated, Sir, that the Act of 1922 causes much delay and gives a lot of publication and also requires heavy expenditure to bring an offender to justice. I submit, Sir, that because by following the judicial course of trial you require more time or more expenditure is no ground at all for substituting executive action for judicial trial. But I submit, Sir, the difficulty lies somewhere else. I know a case but I cannot refer to it because it is *sub judice* in my own province but the difficulty lies in this that if the unfortunate victim comes into possession of some important document the whole structure of the case falls to the ground and so, Sir, judicial trial is being sought to be avoided in this Bill and executive action is being substituted.

Then, Sir, let me examine very briefly the relation of the princes with the Government of India today. The princes say that they do not want to have any connection at all with the Government of India but they will have direct relation with the Crown. As far as I understand the present position, Sir, it is this that the Crown through the Government of India exercises control over the administration to some extent of the States. If the princes really do not want any direct connection with the Government of India, why should the Legislature be asked to pass an Act for their protection—the more so as it is an emergency measure ?

Then, Sir, I come to a statement made by my Honourable friend, Mr.

12 Noon.

Glancy, in the other House and, if I remember correctly, the statement that he made there was that on account of the introduction of reforms in India and the pressure brought to bear on the princes to improve their administrations, many of them have set up well-organized administrations for ruling their States. So far as I know, there are only a few States in Southern India about which we do not hear any complaints. There are so many other States where the administration is still in as crude a form as it was many years ago, and what do the subjects say ? They do not desire any rapid or hasty change. They desire that their lives and property should be safe and that they should be allowed to live a peaceful life, and carry on their vocations in those States. It was said in the other House that there are about 400 journals published in the various States, but I submit that not one newspaper or one magazine will be allowed in those States to criticize the administrative actions of the ruler. We, living in British India, have to take into consideration their grievances and we have to plead for their cause. Therefore it seems that this Bill has been introduced to curtail our activities as well as the activities of those who come here and organize meetings and carry on constitutional agitation for improving the administration of the States. We owe them a duty and ought to help them in getting redress for their grievances, and if any attempt is made to curtail our activities in this direction we shall have to oppose this Bill tooth and nail. It may be said that the subjects of the princes are in a very happy position and that we, British Indians, instigate them to agitate for reforms. If that is so, Sir, why do we have every year so many conferences ? Why do we get so much literature about their complaints ? Why do we receive so many telegrams to oppose certain provisions of this Bill ? The subjects desire their lot to be improved. In this connection, Sir, I think it is the British Government and the various politicians who have propounded the idea of democracy and who practically condemn one-man rule, that is responsible to some extent for instilling those ideas into the subjects of the States. Not long ago, Lord Chelmsford gave advice to the Prince of Bharatpur and, with your permission,

Sir, I will read a portion of it. This is what he said about the administration of Indian States :

" If the wheels of administration are to run smoothly, the stirring times in which we live and particularly the events of the past few months, have emphasised the danger that attends the exercise of autocratic rule without proper regard to the interest of the people. In the vast majority of the countries of the world the realization of this danger has led to the substitution of government by the people for the uncontrolled authority of an individual sovereign. The rulers of the Indian States in virtue of their protection by the British Government enjoy an unusual degree of personal control over the welfare of their subjects, and the responsibility that lies upon them is correspondingly great. In India itself the British Government has decided to grant a substantial measure of power to the people in the administration of their own affairs. Autocratic rule anywhere will in future be an exception and an anomaly ".

After that, Sir, Lord Irwin, in his address to the Chamber of Princes in 1931, said :

" There must be a reign of law based either expressly or tacitly on the broad good-will of the community : individual liberty and rights must be protected, and the equality of all members of the State before the law be recognized. To secure this an efficiently organized police force must be maintained, and a strong and competent judiciary, secure from arbitrary interference by the executive and irremovable so long as they do their duty. Taxation should be as light as circumstances permit, easy of collection, certain, and proportionate to the means of the taxpayer to pay. The personal expenditure of the ruler should be as moderate as will suffice to maintain his position and dignity, so that as large a proportion as possible of the State revenues may be available for the development of the life of the community, such as communications, education, health and social services, agriculture, housing and other kindred matters. There should be some effective means of ascertaining the needs and desires of its subjects and of keeping close touch between the Government and the governed. Religious toleration and conciliation in all disputes between the subjects are important, and last but not least is the need to choose and trust good counsellors. By this, perhaps more than aught else, is a wise ruler known, and the fulness of his trust in competent advisers will in great part be the measure of the confidence which his people repose in him.

" I must not, however, allow my address to Your Highnesses to develop into a treatise on the theory of government. Some may say that it is not always so easy to carry such precepts into practice, but there are, I believe, few who would not readily admit these minima requirements of good administration, and you will remember that a Resolution by His Highness the Maharaja of Bikaner commending its essentials was passed not long ago with unanimity in this Chamber. There is no use in disguising from ourselves that the new order of things and the irresistible logic of events are lifting the veil from much that has hitherto been considered of private concern, and more and more factors are tending to bring your affairs into publicity. Where there is criticism of any of your administrations, be it based on reasonable grounds or scurrilous and misinformed : the best answer on the part of those who have nothing to hide is the issue of full and regular administration reports from which the public may learn how your Government is carried on. Such publication has always been desirable, but it will be essential when, in these changing times, you come to take your part in the federal constitution of all India ".

He further says :

" But let us not forget that, as you acquire a share in the control of common subjects, and as your internal affairs become of increasing interest to public opinion in India, there will come to you more and more responsibility for bringing your administrations to the level demanded of all modern Governments ".

So, Sir, if the princes bring their administration to the level of modern government, as has been indicated by these two high personalities, I believe we shall not need an opportunity of discussing a measure like this. It is only due to the lack of administration of this standard that so many complaints are cropping up, and I think if we pass this Bill we will stifle legitimate criticism and deprive the subjects of the Indian States of a source for ventilating their grievances.

[Mr. Vinayak Vithal Kalikar.]

Then, Sir, I want to deal very shortly in general with the specific proposals in this Bill. The Bill was circulated—not to the Presidents of States' Subjects Conferences, nor to any private body—but to district magistrates, to whom power is to be given under this Bill, and to judges. Their opinions have been received and the majority of them have said in clear terms that they do not find any necessity for such a Bill. I will only cite two opinions, that of two High Court Judges of Allahabad. Justice Niamatullah says :

"I do not think it is necessary for the Indian Legislature to extend the same protection to the States as it has done in the case of British Indian administration. The degree of latitude which the British Indian subjects are given for criticising the administrative actions of the Executive is unknown in the States. On the other hand it is an open secret that maladministration in some States is great. Things are done in some of them which are true but cannot be proved. Any exposure of them in the States themselves is out of the question. Freedom of comment in British India has a great moral effect and indirectly acts as a check by drawing the attention of the Political Department to the alleged high-handed action of the State administration. It is true this freedom is sometimes abused but there are laws already on the Statute-book which afford some measure of protection to the States.

"States are very jealous as regards interference in their internal affairs by the authorities in British India. Consistently with this attitude they have no claim to any further extension of protection through the Indian Legislature. As the latter cannot legislate so as to bind the State administrations, there is little justification for the same degree of protection being extended to them."

Justice Rachpal Singh says :

"I am opposed to the provisions of this Bill. Generally it will be found that people belonging to Indian States, whose grievances are not redressed, come to British India in the hope that by giving publicity to their cause they will obtain a hearing from the British Government. I do not see any reason why they should be discouraged from adopting this course. This is one of the remedies, and very often the only remedy, which they have against oppressions by the ruler of a State and I think that they should be permitted to avail themselves of the same."

Various district magistrates, to whom you propose to give power under this Bill, also think that this Bill is not necessary, that there is real maladministration in the Indian States and that public opinion in India is only a check on their maladministration, and they are likely to improve their administration only through the force of public opinion in India. Then, Sir, if that is the opinion of trusted servants of the Government of India, if that is the opinion of district magistrates whose duty it will be to administer this Act, I fail to understand what has stimulated the Government of India to introduce a measure of this sort. When the Criminal Law Amendment Act of 1932 was passed it was said that the Government wanted to restore order in the country for the smooth working of the coming reforms. It was also said that the Act was a temporary measure, and there is a provision in it that it will last for three years only. Now, Sir, if I follow the position correctly, am I to understand that certain reforms are also to be introduced in the States and therefore the Government of India on the demand of the rulers of the States feel the necessity of enacting this law, so that the reforms to be introduced in the administration of the Indian States should be a success? But, as far as I know, there is no proposal like that, so my charge against the Government of India is that, you have failed in your duty towards the States' subjects. If you deem it so necessary to introduce a measure of this sort for the protection of the administration of the princes, what steps have you taken to protect the interests of the subjects of those States? If you have not taken any steps, then this one-sided measure which you bring before us does not stand the test of logic and we at least should not consider it at all.

Then, Sir, I am doubtful whether really we can consider a measure of this sort. If, however, the legal advisers of the Government of India have brought this measure before us, I take it that they have examined that point carefully and we are entitled to consider this measure. If that is so, then, Sir, we the taxpayers of India have also a duty to perform and to examine the present measure very carefully. We cannot interfere in the internal administration of the Indian States ; but we have to pay and pay very heavily for maintaining an army to secure their States from external raids. We have to pay for maintaining a Political Department and we have to pay also by way of loans crores of rupees of the Indian taxpayers to the princes for their administration. If that is so, then we are also entitled to take into consideration the grievances of the subjects of the States and help them in improving their lot. We could have considered this Bill reasonable if the Government of India had introduced another measure to safeguard the interests of the States' subjects, but this seems to be a one-sided action as I have just now said, and nothing has been done for the subjects of States. Clause 3 of the present Bill wants to substitute executive action for judicial proceedings. Under this clause no comments, no legitimate comments, no fair comments, can be allowed.

THE HONOURABLE MR. M. G. HALLETT : No.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : My Honourable friend Mr. Hallett says " No ". The Explanation to that clause is :

" Statements of fact made without malicious intention and without attempting to excite hatred, contempt or disaffection shall not be deemed to be of the nature described in clause (j) of this sub-section ",

and he says " No " probably basing his statement on Explanation 5.

THE HONOURABLE SIR HARRY HAIG : May I remind my Honourable friend that there are two Explanations already in the Indian Press (Emergency Powers) Act which apply and that Explanation 5 has been put in in addition to the provisions which are already contained in the Indian Press (Emergency Powers) Act ?

THE HONOURABLE MR. HOSSAIN IMAM : There is no Explanation 5.

THE HONOURABLE SIR HARRY HAIG : There are other Explanations. Perhaps my Honourable friend has not seen the Indian Press (Emergency Powers) Act. For instance, there is Explanation 2 :

" Comments expressing disapprobation of the measures of the Government with a view to obtain their alteration by lawful means without exciting or attempting to excite hatred, contempt or disaffection, shall not be deemed to be of the nature described.....".

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : Explanations are there and I have read those Explanations. Then my submission is that if really it is not the intention of Government to stifle legitimate criticism, why have recourse to executive action ? In a judicial trial the press owner will have ample opportunity to prove his case, to adduce evidence in his favour and he will get an opportunity of appeal or revision. Here under this provision only a magistrate will have to decide and his case will go up to the High Court, to a bench of two or three judges and that too by way of revision. There is a

[Mr. Vinayak Vithal Kalikar.]

lot of difference between an appeal and a revision, and I submit that if the position of Government is quite sound on that point they ought not to have taken recourse to this executive action, but they ought to have made provision for judicial trials so that the order of the magistrate should not decide the fate of the press owner.

Then, Sir, there is this all-pervading clause 5—

**THE HONOURABLE THE PRESIDENT :** May I remind the Honourable Member that general principles of the Bill are only discussed at this stage ? He will have another opportunity of discussing the clauses.

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR :** So, Sir, to sum up the whole case, I submit that Government has not made out a case for certain provisions of this Bill and therefore except the two clauses relating to *jathas* and clause 2 I am not in a position to lend my support to this Bill.

**THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ PANDIT (Bombay : Non-Muhammadan) :** Sir, I confess that I feel myself to be in a sort of dilemma when I speak on this Bill. On the one hand, I have strong dislike of the methods adopted by some of the Indian newspapers and other publicists in libelling Indian princes and their administration ; and, on the other hand, I have my convictions about the immediate necessity of liberalizing the political constitutions and the political institutions in the Indian States. I think, Sir, it is not impossible that by the passing of measures like the one we are discussing at present we may achieve the objects in view. I think the condemning of the excesses and abuses of the liberty of the press in British India, and the advocating of the inauguration of some sort of popular self-government in the Indian States, are not antidotes to each other. In fact, I can conceive that the more the Indian princes liberalize their political constitutions and become constitutional monarchs in their small kingdoms and principalities, the less would be the attention paid to the internal affairs of the States by the press and platform in British India. Due to the absence of such a Bill as the present one, the libellers and blackmailers of Indian princes were beyond the reach of the Indian States, as living outside their jurisdiction, whereas, on the other hand, they are also beyond the reach of the British Indian Government who had no legal weapon by which they could bring the libellers under restraint and prove their own goodwill and sympathy for the Indian princes being their allies. A libel against an Indian prince or State administration, published in a newspaper in British Indian territory, is not an offence punishable under the ordinary penal laws of the land unless and until the present Bill is passed into law. It was not possible for the British Indian Government to punish such offenders before even if they desired to do so. I admit that an Indian prince or an administration have got the remedy in the present sections in the Penal Code relating to defamation and libel, and he has got the full liberty of lodging a complaint in a proper criminal court in British India, against such press which indulge in libellous attacks. But I think and I believe there may be various considerations which prevent the Indian princes adopting such a procedure. A case of defamation unnecessarily leads to an open discussion of the State's internal affairs in a manner, which instead of rivetting public attention to the real merits of the case, allows a wide scope to the scandal-mongering of the newspaper world and their reader

Then, Sir, I come to the constitutional position of the Indian princes. All Indian States are independent political units under the paramount power. It is the rulers of Indian States who, at one time or other, made treaties with the paramount power. The British Government when making treaties with such Indian rulers recognized that the Indian princes have sovereign rights over their States and the rulers of all such States must have been regarded by the British as having sovereign rights on those kingdoms. Now, I ask : Is it not reasonable to claim for the sovereigns of such Indian States a fair measure of protection of their dignity and respect in keeping with their high exalted positions ? The present measure is only allowing some measure of power to combat libellous attacks by the British Indian press on such princes and their administrations and for safeguarding their respect and dignity in the eyes of the masses within their own dominions and outside.

Sir, in these days of democracy when we find State after State in Europe falling on autocrat dictatorships to save the people from ruin, we will have to seriously ponder whether absolute monarchy is bad in theory at the present moment. I say that there are Indian princes who think themselves to be *pater familias* and treat their subjects like children and have conferred benefits on their subjects which even the British Indian subjects after remaining for 150 years under British rule do not enjoy. In this connection I may mention that the late Honourable Mr. G. K. Gokhale and other political leaders after him agitated for the introduction of compulsory free primary education in British India, but though we do not enjoy this privilege here in British India, yet the subjects of the States like Baroda, Mysore and Travancore enjoy such benefits.

Sir, this compulsory free primary education is the foundation on which constitutional advancement rests and if some of the Indian States could go so far it is not a wonder that they will liberalize their constitutions and governments in time. I do not even for a moment deny that a fair criticism in the press will do good to the princes themselves, but what I object to is the libellous attacks, whether true or false. I do not believe that in this world there are persons so high that they should be absolved from criticism, but criticism has its bounds and they must be kept within bounds too. The present measure has become an absolute necessity when we found that in spite of a sufficient scope being given so long for the critics to remain within the proper bounds of decency and propriety, they failed in keeping themselves within bounds of decent and fair criticism. I believe that by now every one of the newspaper readers have been convinced that the vituperative criticism against Indian princes, which are published from time to time in the columns of some of the inferior journals, posing as interested in the Indian States' affairs, are not generated from disinterested public spirit and public goodwill.

Before I conclude I would remind the princes that the British Indian Legislature are going to give them the full measure of protection that they need against wicked libellers by this Bill, but that does not absolve them from the duty of improving the machinery of their governments in such a way as would allow the subjects to have more control in the State's affairs and gradually to transform themselves into constitutional monarchs on the lines of constitutional monarchy in Great Britain. I would ask the princes not to forget the fact that unless and until they base their rule on the goodwill of their own subjects, no amount of measures like the one under consideration will save them from press attacks and from ultimate ruin to themselves.

With these words, Sir, I support the Bill.



THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKFARKHAN (North-West Frontier Province: Nominated Non-Official): Sir, I do not want to take up the precious time of the Council, as the Honourable Mr. Kalikar has done, nor do I want to go into the high legal technicalities, but I wish to take a common-sense view of the subject. I agree, Sir, generally with the principle of the Bill and I am strongly of opinion that it is an essential measure in the present conditions of the country. The recent agitations of British Indian subjects against Kashmir, Alwar, Patiala and Bahawalpur make it highly imperative that such like manifestations of ill will against the Indian States should be effectually controlled by some legislative enactment and with this end in view I regard this Bill well calculated to put down undesirable forms of agitation. Honourable Members might remember that thousands of people from the Punjab marched in *jathas* into the territory of Kashmir and caused considerable commotion in that State. Similar happenings took place in Alwar and attempts were also made to foment disaffection and rebellion in Bhopal and many other States. In short, strong agitation was kept up in British India on the ground that there has been maladministration in these States. It is, therefore, time that a Bill of this nature is placed on the Statute-book as soon as possible.

Sir, the Bill under consideration seeks to supplement the provisions of the Indian States Protection Act of 1922. That Act was only intended to control the issue of literature calculated to be prejudicial to the interests of the Indian States. Some provision was, therefore, necessary to control other activities directed against the States and this is provided for by the present Bill. In view of the readiness shown by the Indian States in India to assist the Government of India during the stormy days of the civil disobedience movement, the Government of India do owe to the States some necessary protection against the activities carried on in British India with a view to embarrass their administrations on the plea of misgovernment. It is further desired as the administration of the Indian States is now to become an internal part of the Government of India on account of their concurrence in the federation form of government in India.

In view of all these facts, Sir, I see nothing objectionable in the provisions of the Bill except clause 3 dealing with the press section. I fear that if this clause is passed legitimate criticism of misdoings in the Indian States will be discouraged. Even in the case of British India the Press Emergency Act was passed as a measure of emergency which can no longer be said to exist and I do not see why its provisions should be extended to protect the Indian States' administration, which in many cases are not above criticism. It would rather be in the interest of the population as well as the administration of such States that the outside press should be given free scope to make legitimate criticism of their maladministration wherever it exists. No doubt, the Indian States deserve protection against activities carried on in British India to subvert or interfere with the administration of such States and this is provided for by the other clauses of the Bill. But so far as criticism in the press is concerned, I think the protection should be given in such a manner as not to make the misdoings in Indian States above the law. There ought to be some legitimate check on the States' administrations. After all, the States' administrations are not more important or of greater significance than the Government of British India, and when the Government of India as well as the Provincial Governments under it are not exempt from a legitimate criticism of their administrations in the press, what cogent reasons can there be to grant such exemptions to the States' administrations not enjoyed even by the Government of British India?

Besides this, Sir, the Act of 1922 known as the Indian States Protection Act makes the law of sedition under section 124A applicable to writings with reference to the State administrations and in this aspect that Act fully protects a prince or a chief as well as his administration from malicious attacks. At the same time the Indian States themselves do not seem to be so keen for such drastic and summary action as is contemplated by the Bill under discussion. The initiative on this line seems to have been taken by the Government of India and not by the Indian States, for in the statement of objects and reasons attached to the Bill there is no mention of the fact that the contemplated restrictions on the liberty of the press are being imposed at the request or demand of the Indian princes or chiefs. It even does not appear from it that the Indian States Protection Act of 1922 has failed in its working to achieve the object for which it was enacted. Under the circumstances, Sir, I do not think that a case has been made out for this section, nor do I think that it is necessary or desirable. To my mind agitation in the press against a State is mostly ineffective and when it is effective it is either desirable or can be dealt with under the provisions of this Bill.

In spite of all this if there are some cogent reasons with the Government of India, of which I am not aware and at the same time I cannot believe that the Government of India will bring forward a measure unless it is most urgently wanted, I have no hesitation to support it as a whole. Because, after all, the the Indian princes and chiefs are the descendants of good old families, the origin of some of which dates back to the early periods of the Christian era. As such there ought to be some efficient measure to guard their good name and administration and as it can be discerned from the inclusion of this section in the Bill, I cannot doubt the good intentions of the Government of India to preserve the scions of nobility from improper and malicious attacks on their administrations and thus prevent the means of their becoming a matter of public gossips and open scandals. Since the Government of India is decidedly in a better position to see the necessity of such measures as provided for in the Bill under discussion, I think it will be simply proper and right to extend our support to a measure such as is brought forward by Government.

**THE HONOURABLE MR. MAHMOOD SUHRAWARDY** (West Bengal : Muhammadan) : Sir, in rising to support this Bill, I am torn by two conflicting thoughts. Firstly, there is the indubitable fact that a section of the gutter press in British India deliberately aims at victimising Indian States and their rulers by a cunning process of blackmail. In so far as the Bill aims at preventing this prostitution of the press, I whole-heartedly support the measure now before the House. It may be argued, and very reasonably argued, that the ordinary processes of the law should be enough to afford the princes protection against defamation and blackmail. Unfortunately, the princes find it impossible to take action, as any ordinary citizen in British India would, in the law courts in British India against newspapers perpetrating a libel against them or carrying on intentionally malicious propaganda with the object of extorting money either by threatening exposure or by subtle innuendo. No one would tolerate these disgraceful tactics of the press anywhere, but the conflicting thought that assails me, at the same time, is that the remedy lies not in introducing legislation that even remotely infringes upon the freedom of the reputable press, but in preventing newspapers being edited or published by men who are neither reputable journalists nor men of character. My fear is that this Bill may prevent that healthy ventilation of questions of public interest in the Indian States without which there can be no progress, and it may also in this way isolate the Indian States in an isolation which, in view

[Mr. Mahmood Suhrawardy.]

of the new relations foreshadowed by the reforms, are writ large on the wall as likely to come into existence between British India and the States, is entirely harmful, and not only harmful, but so far as the Indian States are concerned, positively dangerous.

In the circumstances, I support the Bill as a gesture in favour of a healthy whip against the gutter press, but I hope that it will remain suspended on this press like the sword of Damocles, and steps will be taken, at the same time, to exercise more vigilance in letting loose the plague of editors and publishers of newspapers who have made this Bill necessary.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, I understand the Government of India have a two-fold responsibility towards the Indian States under the suzerainty of His Majesty. On the one hand, they have to protect the subjects from the misrule or maladministration of Indian States and, on the other, they have to protect the States from any attempts to subvert or paralyze its administration. Sir, there have been several instances recently where the Government of India have rightly intervened to save the Indian States' subjects from misrule and hardship, and there is no reason to apprehend that in future the Government will lack in their duty towards the subjects of Indian States. Sir, it is only fair that the Government should also be prompt in discharging their other obligations. Recent experiences have proved to Government, as a result of the happenings in British India, that the present law is adequate to check and prevent the activities carried out in British India to subvert and paralyze State administrations. Thus the Government have been forced to introduce this Bill. As Honourable Members are aware, during those recent happenings the Government had to resort to Ordinances, because there was no law available to help them. Sir, it is in the interests of peace and order in India that there should be no revolution or state of chaos in Indian State territories, which are intermingled with British India all over. If cases are started under this proposed law they will be tried by the Indian courts and there appears to be no justification for any suspicion that the Indian courts will be so partial to the Indian State authorities that they will convict innocent people or pass excessive sentences against the guilty.

As regards clause 3. The press should certainly have the right and the liberty to expose maladministration and misrule if prevailing in any State ; but then I question, Sir, is it not only fair that there should be some provision in the law to check the misuse of such rights and privileges by any section of the press ? I would say that if no penalty is prescribed for mischievous propaganda of a certain section of the press, it will be leaving the Indian States at the mercy of that section of the press. Rather I would say that this will amount to encouraging a certain section of the press to blackmail the Indian State authorities. Sir, I allude to an incident which occurred in another place the other day, when there were serious allegations and counter-allegations on behalf of two gentlemen, a journalist and a so-called emissary of an Indian State. Those allegations may be true or they may not be true. But, Sir, there is no denying the fact that Indian States feel nervous of a certain section of the press and it is only fair to give them protection against the mischievous propaganda of that section. Sir, I think that if the press is fair to itself and fair to the State administrations it need have no fear.

Sir, I support this Bill.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muham-madan) : Sir, the Bill before the House raises up some questions of extraordinary importance from the constitutional point of view. The first difficulty which one encounters in dealing with this Bill is that we do not know what we are safeguarding and whom we are safeguarding. The Indian States have not been defined under the General Clauses Act, nor could I find any explanation of the word "administration" in the General Clauses Act. Indian States as is well known, vary in size and in jurisdiction in all the degrees that can possibly be conceived. There are States which are to all intents and purposes suzerain States except as regards their foreign relations. Then at the other end there are States who have neither jurisdiction nor power nor control over even their own subjects, I refer to the States of the Mahi Kantha and Rewa Kantha Agencies, where the administration is carried on under the Foreign Jurisdiction Order in Council, 1902, by the Governor General. The civil, political, criminal, all the jurisdictions are exercised by the Governor General as apart from this Legislature. We do not know what administrations we are protecting. Is it to be supposed that the administration carried on by the Governor General in the name of the British Crown is to be safeguarded, or is it the administration of the States themselves. The States have deliberately chosen to vest paramountcy in the British Crown and not in the Government of India. The Butler Commission came to this decision, and if there remained any doubt it has been cleared up by the White Paper proposals. Now, as far as this Legislature is concerned they are as much a foreign power to us as either the French Possessions or the neighbouring sovereign States out of India. If we are to pass an Act for a neighbour, it is but right and proper that the Act should be applicable in the case of all States irrespective of whether they are under the suzerainty of His Majesty or not. His Majesty is himself a constitutional monarch and therefore all his acts are subject to be carried out through a constitutional authority. If the Indian States have any right, if they have any claim, they have a claim on His Majesty and they can claim through his constitutional representative, who happens to be the Viceroy of India. They have a right to demand from him but not from the Central Legislature which has no place in the composite picture of the paramount power and his subservient States. Then, Sir, the difficulty which we encounter in this connection is that "administration" is a word which can be stretched to any length. Even a village chowkidar forms part of the administration and it is no wonder that if Acts of this nature can find a place on the Statute-book of British India it means that to all intents and purposes we will be gagged and our mouths will be sealed. Sir, the position is that the Indian States want to be apart from us. They do not wish to sink or swim with us, but they want to benefit both ways. They want to have the advantage of being above British India and its politicians, and they want us at the same time to save them. That is a sort of one sided game to which we cannot be a party.

**THE HONOURABLE THE PRESIDENT** : I would just like to know the position which you are now trying to argue ? Do you mean to say that if a conspiracy is formed in British India to overthrow an Indian State the Government of India should not interfere ?

**THE HONOURABLE MR. HOSSAIN IMAM** : The reply to that, Sir, I will quote from an official publication as to what the Government of India has itself been doing in the past. I am referring to two Indian States which I shall not name but which are in the North-West Frontier Province where actual fighting was going on till 1922 between these two States and the Government of India interfered only after that.

**THE HONOURABLE THE PRESIDENT:** That will be quite a different case. If they are fighting between themselves either politically or in any other way, either over land disputes or territories, that is another matter entirely, but I am putting to you a practical question. If there is a conspiracy in British India to overthrow an Indian State, is the Government of India to sit with folded hands and not to interfere at all?

**THE HONOURABLE MR. HOSSAIN IMAM:** May I draw the attention of the House to the fact that up till now there has not been any conspiracy of this sort.

**THE HONOURABLE THE PRESIDENT:** That is another question. You raised a legal point and I am therefore asking you to enlighten the House on that.

**THE HONOURABLE MR. HOSSAIN IMAM:** Under section 144 any breach of peace which may occur in India can be interfered with by the Government of India. If they want to organize any armed rebellion of any sort, at first under the Arms Act they will be prevented from having possession of any arms; in the second place as regards marching, by orders under section 144 we can stop any illegal gatherings. As a matter of fact the provision which has been made in section 2 of this Bill is more intended to affect civil disobedience and *jathas* than armed rebellion. Armed rebellion we cannot even conceive of. It has never occurred during the 150 years of the British connection with India through British India in the Indian States. The case to which I referred was a case of armed physical fighting, not political fighting, between two States of the Frontier Province.

Sir, the position is this, that we in British India are called upon to bear expenses and we do not recoup them. Very recently there was an agitation against an Indian State and a Provincial Government incurred expenditure—a great deal of expenditure—on account of preventing *jathas* from going there. We have no right, we have not even the right to question the actions, the powers or the privileges of Indian States, yet we are asked to bear expenses on their account. The expenses met by the people should be for the common interests of British India. If Indian States want to safeguard themselves, they must pay for it. They must give us rights and privileges if they want to have our support for their case. Without getting value for our support we are not prepared to give it. The question which is of very great importance to us is the degree of control which this House ought to exercise on its own components in British India. This power should be utilized for the furtherance of the cause of British India and for no other purpose. When a Bill was under discussion about our relations with foreign powers Government gave us to understand that they were placing this law on the Statute-book because there was a genuine demand for some sort of protection from the people concerned. When the Indian Press (Emergency Powers) Act was under discussion and when the Criminal Law Amendment Act was under discussion, we were supplied with papers. The Home Department sent us two books giving extracts from the press—examples of the sort of articles which were written to subvert the allegiance of His Majesty's Native Indian subjects. Therefore they tried to establish their case. They took us into their confidence. They gave us those papers to gauge for ourselves whether there was any necessity for such a thing or not, and then we gave a decision. Here, the Home Department have refrained from giving us any information, except the one general observation which the Home Secretary gave us in passing. The question is that if you have a case, if there is any necessity for this sort of

action, why not give us all the papers concerned and tell us what are the disadvantages which arise from the want of this power. The real grievance of Indian States is not their administration being attacked by the press ; but their real grievance is that there are personal attacks on their character, their affairs, their expensiveness ; and all these things form the subject-matter of articles in the press. As far as that is concerned, Sir, people who can be morally guilty of the Bawla murder, or of things which came out in a European court against Mr. A., they must be afraid ; they pay blackmail and they are the people who really supply the incentive to the press to start blackmailing. If they were aboveboard, if they were not subjected to these human weaknesses they would not be afraid and no necessity would arise to protect them. As regards the administration, agitation in British India has been amply justified by the actions of the Government of India themselves. If there is agitation in British India against Indian States, what do we see ? Either the ruler of the Indian State is taken to task or other softer political influences are exercised by the Department over which Mr. Glancy presides to force them to change their administration for the better. The real reason why the British came to India and are remaining here--the *raison d'être*--is that they want to safeguard the interests of the people. If they do not do this, they will have no right to govern. Their duty lies not so much with the princes as with the people of Indian States and it is only they who are standing in the way of indigenous methods of getting rid of those who do not work in the interests of the people. As is well known to every student of history the tenure of the crown of Indian princes was very insecure. There used to be any number of changes. Any prince who was unable to rule properly was subjected to attacks by neighbouring States, was subjected to rebellion, and we used to have the same spectacle as we now have in Central and Southern America. The British came in—

**THE HONOURABLE THE PRESIDENT :** This is all very interesting, but it has no bearing whatsoever on the provisions of the Bill. I would advise you to argue the provisions of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM :** I was trying to show that this conspiracy to overthrow is only made because the British Government is propping up a system which would have collapsed if there were no British bayonets to prop them up. I was trying to point out to the British Government that they owe a duty to the indigenous States' people which they ought to discharge by introducing better administration in the Indian States. I was trying, Sir, to show that, when the Press Emergency Act was passed, we were told that the Government is having recourse to two measures of establishing law and order from India and a promise of reforms and constitutional advance from England. Have we got the same promise here ? Are we promised, Sir, that there too they will have a scheme of reforms on the lines of British India if we are prepared to take upon ourselves these restraints which the Crown wishes to impose on us ? If we on our part are willing to put ourselves under restraint there should be some restraint on the powers of those who are oppressing the people. Sir, I shall not labour the point but pass on to some of the other aspects of the question.

The section which has been subjected to most criticism is the present section 3 and I wish to point out that the opinions which happen to be those of Government officials mostly are not unanimously in support of the point of the Home Department. Sir, I shall begin with the opinions from my own province. The Judicial Commissioner of Chota Nagpur says—

**THE HONOURABLE THE PRESIDENT :** All the Honourable Members are provided with that paper containing provincial opinions and they must have more or less studied them. Here you are to express your individual opinion, because in the opinions given there there are opinions on either side, for and against, so it will not help the Council to come to a decision. The Council would like to know your opinion.

**THE HONOURABLE MR. HOSSAIN IMAM :** Then, Sir, I will leave that point. The opinions of those who were connected with and some of the persons who acted as Political Agents in Indian States go to show that they think that the provisions of this Bill will make legitimate criticism subject to the provisions of this Act and thereby stifle the discussion of maladministration. Unless we have some measure of liberty to discuss maladministration we will not be able to bring these facts to the notice of the authority concerned, I mean the Governor General in the Political Department, for investigation. I will remind the House that these agitations against certain princes by the people in a State to our east and a State to our west. In one of these cases, the Government has taken drastic action while the other is still awaiting the action of the Government because that has not been sufficiently ventilated. That shows that agitation in the British Indian press has not been an empty affair. This is well substantiated. The fact that by Explanations 2 and 5 that expressions of opinion without malice have been permitted is, I wish to submit, Sir, not sufficient. It is well known that the judgment of Chief Justice Jenkins of the Calcutta High Court in the *Comrade* case is a monumental judgment. It had thoroughly exposed the extent of the net which the Press Act had spread so that no human being could extricate a person when once entangled in it.

**THE HONOURABLE SAIYID RAZA ALI :** You mean the Indian Press Act of 1910 ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Yes, Sir, and this is more drastic than that was.

**THE HONOURABLE SIR BROJENDRA MITTER (Law Member) :** Sir, may I point out to Honourable Members that the amount of liberty which the press enjoys with regard to the Government of India will be the amount of liberty which they will enjoy, if this measure is passed, with regard to the administration of any State. No more restriction is being put upon the press with regard to the States than there is with regard to the British Indian Government. The position is exactly the same.

**THE HONOURABLE MR. HOSSAIN IMAM :** We are very thankful to the Honourable the Law Member for elucidating the point, but will he point out if we have got in the States Legislatures the same facilities as we have in this House to question the Government ?

**THE HONOURABLE SIR BROJENDRA MITTER :** Sir, it is well known to any one who is familiar with constitutional law that the privileges of a Legislature are of an absolute character and that those privileges are nowhere extended to the press.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, if we in British India are not allowed to ventilate a point in the press, we have the option and the right and the occasion to ventilate it in the Legislature. In an Indian State,

this right and privilege is not enjoyed. In the Indian States even the press is gagged—more gagged than in British India. We have only one loophole left—to ventilate grievances in the British Indian press. What can the press do? Is it so omnipotent as to stop the administration of the country? Is it so powerful as to induce Indian States' people to start a rebellion or a civil disobedience movement? Nothing of the sort has yet happened. The Indian press has served only to bring to light the maladministration of some of the States and it has materially helped the British Government in India to right those wrongs. It is sought to spite the face by cutting off the nose! Sir, as I was saying, in that monumental decision the one word which is the root cause of all troubles and to which I wish to draw attention, is the word "disaffection". Anything to be exempt from this provision should not excite disaffection towards an Indian State. It is rather a tall order to compel a person to have affection for an autocrat who can be guilty of every sort of crime that you can conceive of is impossible and if a man publishes any news, it does not matter how well founded in truth it may be, if it causes people to show disaffection towards a State it will not be exempt from the operation of this Act. This is the sort of safeguard that has been provided. It is no safeguard at all.

Then, Sir, there is a point of constitutional interest, purely from the British Indian point of view. It is the constitutional power which has been given to the Governor General in Council concurrently with the Local Governments as far as actions under section 3 are concerned. We, Sir, wish to have complete provincial autonomy and we do not like the idea that the Government of India, which will remain irresponsible, should exercise this power over a local authority which is going to be made to a great extent responsible to the people. What we are gaining on the one hand or what we are supposed to gain from the constitutional reforms is being taken away on the other hand by this Act by giving power to the Governor General in Council in all these connections.

**THE HONOURABLE THE PRESIDENT:** The new constitution is not supposed to take away the powers which are at present exercisable, namely, the powers of superintendence and control over Local Governments, or the powers of framing special legislation.

**THE HONOURABLE MR. HOSSAIN IMAM:** My point was that in future we are promised provincial autonomy and the Ministers of the Government will be responsible to the people. If any offence is committed in the provinces, if this Act is not passed, all the powers will be exercisable by the Local Government itself.

**THE HONOURABLE THE PRESIDENT:** Will that prevent the Government of India from passing a Bill on similar lines as passed by the Local Governments or on broader lines than what the Local Governments may deem expedient to pass?

**THE HONOURABLE MR. HOSSAIN IMAM:** It is not the passing of the Act but of taking definite steps, for instance, the starting of cases. All this work can be done either through the order of the Governor General in Council or the local authority.

**THE HONOURABLE THE PRESIDENT:** I think it is too premature to discuss that question at present, because we must wait and see what measure of provincial autonomy is given.



**THE HONOURABLE SAIYID RAZA ALI :** What will happen in the case of States situate in Rajputana ? Which is the province there ? Who is to give sanction there ?

**THE HONOURABLE MR. HOSSAIN IMAM :** From that rises a very pertinent question. If in one of the States a paper is published, and if attacks are made on the ruler of another State, what will happen ? There is a lacuna which the Honourable the Law Member will fill up.

**THE HONOURABLE SIR BROJENDRA MITTER :** What is the lacuna ? I could not follow.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** The Honourable the Agent to the Governor General or the ruler of the State in which the press is situated.

**THE HONOURABLE SIR BROJENDRA MITTER :** Sir, the Honourable Member spoke so fast that I could not follow him. Will he kindly repeat what lacuna he thinks there is and I will explain ?

**THE HONOURABLE MR. HOSSAIN IMAM :** We are passing an Act which will have effect in British India. If anything is done which will create disaffection towards an Indian State, that paper will be punished. Now, I ask my Honourable friend what will happen if this happens in one of the Indian States ? For instance, if in a State in Rajputana a paper is published which starts maligning a State in Bundelkhand, who will take action, and who will be the authority to stop it, if there is a conspiracy in one of the Indian States ? That is a very pertinent question, and I think the Honourable the Law Member ought to explain the point.

**THE HONOURABLE SIR BROJENDRA MITTER :** May I answer ? There is no lacuna here. The Central Legislature can legislate only for British India. We cannot legislate for the States. Therefore, if there be any mischief brewing in a State, it is for the State to deal with it and not for us. We are only legislating for busybodies in British India trying to create mischief in the States.

**THE HONOURABLE MR. HOSSAIN IMAM :** That only shows how limited our action is. We are trying to safeguard the States, and we have brought forward a measure which will safeguard them in British India and we now find that no steps have been taken to safeguard them from their brethren in the other States.

**THE HONOURABLE SIR BROJENDRA MITTER :** Because the danger does not exist.

**THE HONOURABLE MR. HOSSAIN IMAM :** As far as the danger is concerned, I should like the Home Member to give us a specific instance where an offence under section 2 has been committed in British India ? I wait for an answer.

**THE HONOURABLE SIR HARRY HAIG :** I do not know what my friend is referring to. Is he suggesting that there never has been a case of conspiring in British India to overawe by means of criminal force the administration of

a State in India? If he suggests that there never has been such a case, I am afraid he has not been studying the public affairs of this country for the last three years?

THE HONOURABLE MR. HOSSAIN IMAM: My suspicion has been confirmed that it is not violent criminal force which is being penalized but it is non-violent force, as they call it, which is being penalized with seven years' imprisonment. It is simply a civil disobedience movement which is not subject to such drastic imprisonment in British India which is going to be so penalized in Indian States.

THE HONOURABLE SIR HARRY HAIG: It is a well-known fact that non-violent force does not stop at non-violence.

THE HONOURABLE SIR BROJENDRA MITTER: I may remind Honourable Members of "non-violent brickbats"!

THE HONOURABLE MR. HOSSAIN IMAM: Sir, if as shown by the Honourable the Home Member, that is the kind of conspiracy to overawe which is being contemplated, the like of which we had during the last three years, then I submit that the punishment which is being provided is not only excessive but outrageous.

Sir, may I draw attention to a very pertinent fact? At the present moment, in the Madras and Bombay Presidencies, non-official propaganda is being carried on against the administration of some of the Indian States. I shall not refer by name to these. The Maritime States on the Arabian Sea and their management of the Port Trust and the way in which they have been subsidising import, has been the subject-matter of discussion in the Press, on the platform, and in official despatches. That sort of thing will not be permitted under this Act, because it is bound to create disaffection towards the administrations, and the Explanation brings it rather more strongly under the clutches of the Act. Then, Sir, in Madras, there is a great deal of agitation on behalf of the cultivators about the taxation which has been imposed by one of the Indian States on the export of rice to that State, which will also become the subject-matter of this law if it is enacted.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): May I interrupt my Honourable friend? That is by constitutional means. There is no objection to that anywhere.

THE HONOURABLE MR. HOSSAIN IMAM: That is why I say that unless we are permitted to expose the whole administration, we will not be able to get redress of our grievances.

Now, Sir, I shall confine myself to the aspect as far as the administration itself—

THE HONOURABLE THE PRESIDENT: How long do you propose to take?

THE HONOURABLE MR. HOSSAIN IMAM: About twenty minutes, Sir.

THE HONOURABLE THE PRESIDENT: Very well.

**THE HONOURABLE MR. HOSSAIN IMAM:** The Indian States having rudimentary powers will they be saved by this measure? Whether they will be saved by this Act or not is the question which I want to understand. For instance, there are cases in which Indian States of the Bombay Presidency have no power. Their States are being administered by Indian officials. Is it intended that these officials will not be subject to our criticism? Is it to be provided by this Act that although their superiors can be questioned they, being placed in Indian States, become so high and mighty that they are to be above criticism? In the *sanads* of different States it is provided what will be the power which they shall exercise themselves. In some of them there is a provision that the administration of criminal law shall be according to the Indian Penal Code and in others that it shall be subject to the confirmation of the Indian authorities. Now, if there is any British Indian authority which is acting in the Indian States, that at least ought to be subject to our control because they derive their power from being British Indian officials only. Then we must not forget the fact that in Indian States there is no administration established by law. The sweet will of the ruler is a law unto itself. Therefore we cannot even define the word "administration" as found in different States. They are different in one from another. What may be the administration in one State may not be the administration in another State. We have States in British India with an income of less than Rs. 100. If they are to be treated as co-equals with States like Hyderabad and Kashmir, it is really difficult to find words to express the height of folly being shown in this. The administration of Indian States is such that no amount of exposure of it can be said to be exaggerated in the present advanced state of the world. The British Government alone is perpetuating them otherwise they would not exist. If the British Government has taken up the cudgels to safeguard them, we appeal to them to introduce the same policy in the Indian States as they have done in British India; that is, they must introduce reforms there.

Now, Sir, my colleague Mr. Kalikar asked the question whether Indian States have demanded any protection from the Government of India or not, and if they have demanded it why that demand was not put before us? That is a pertinent question. He also drew attention to the fact that a Resolution was passed in the Narendra Mandal in 1930, but he forgot to tell us that a fit reply to that was given by Lord Irwin in his famous speech of 1931 in which he asked the Indian States to give no ground for attack as the best cure for attacks being made. Then our Honourable colleague the Home Secretary—

**THE HONOURABLE THE PRESIDENT:** Order, order. The Council will now adjourn for Lunch.

The Council then adjourned for Lunch till a quarter to Three of the Clock.

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The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

**THE HONOURABLE MR. HOSSAIN IMAM:** Sir, before I proceed with my remarks on the Bill, I shall be obliged if you would kindly tell me the ruling which you gave as regards quotations from opinions that have been circulated on this Bill? I did not quite follow it.

**THE HONOURABLE THE PRESIDENT :** I did not give any ruling. The Honourable Member is entitled to quote from the opinions given in that paper of different judges or district magistrates or others. The Chair has no power to stop the Honourable Member from reading parts of those opinions. I only pointed out to the Honourable Member that quotations of this nature will not be helpful, because there are always divergent views expressed in that paper. One party may quote one set of views ; another party may quote another set of views. I have no objection if the Honourable Member wants to use any of those quotations.

**THE HONOURABLE MR. HOSSAIN IMAM :** I am indebted to you, Sir, for clearing up my doubt and I shall proceed with the discussion.

The Honourable the Home Secretary in introducing this Bill stated that the Indian States Protection Act was ineffective and he cited to us the instance of one case started under it which has been dragging on for the last four years. That is the Government's harvest of hurry. This Bill was passed in the teeth of opposition in the other place. It was certified as essential for the safety of India and what is the result ? The Statute-book has been encumbered with an Act which, according to its own authors, is ineffective and useless. In the same way this Bill which is being sought to be passed, if it is used rationally it will be as ineffective as the other was ; but if it is utilized with a vengeance, it will be a different matter. The Government know that they can even without Acts of the Legislature take vengeance without any limit. Then our Home Secretary foreshadowed that the passage of this Bill would be a step forward in the relationship between British India and the Indian States. I wish it were so ! I wish it had been a harbinger of better relations between two sections of the people ! It is the desire of Indian people that these two identical portions of India should come into more cordial relations with each other. But is there any mutual exchange between us and the Indian States ? *Are we gaining any power, any status, any right, any privilege which we did not enjoy beforehand ?* Sir, at the present moment we are debarred from discussing any questions appertaining to Indian States. If by this measure or by any other measure the Government were to allow us to question the actions of those people just as we question the British Indian administration, we would have thought that we were getting some price for our co-operation. We are told that this would bring forward days of mutual recognition and mutual help ; but there is nothing of the sort. I will give you one instance to show how the present policy by which we cannot question the happenings in Indian States is hard on the British Indian people. An Indian State with which our Political Secretary is very well conversant has got a law that only those persons of British India who were resident in that State before 1842—*Samvat Vikram*—can be regarded as State subjects and all those who have gone there after that period cannot acquire citizenship. All those British Indian subjects who have left their homes and taken up their residence in that particular Indian State are affected ; is there any method whereby we can force or even induce or bring political pressure to remedy this defect ? The only weapon before us is agitation in the newspapers and we cannot indulge in that because of this Bill. It is not only that we cannot help British Indian subjects in British India, but we cannot help our own kith and kin who have gone to the States. The Honourable the Home Secretary told us that as neighbours they are entitled to our protection. Neighbours can be friends as well as enemies ; neighbours can be good and neighbours can be otherwise. Because of the fact that a person is your neighbour he is not entitled to your support unless he deserves it. First deserve and then desire is the rule. If Indian States wish to have the amenities, wish to have the rights which

[Mr. Hossain Imam.]

international law gives to the States of the world, they must rise up to the position which international law recognises. As I said in the beginning the word "administration" is not defined. Now in the Press Act the wording is very clear. What we wanted to save from the criticism was the Government established by law in British India and the administration of justice in British India. In drafting this Bill why were not the same words used? Here we find the word "administration" which is capable of infinite stretching. I do not wish to enter into the details, but I should like to remind the House that there are instances in the lives of Indian States which have repercussions on the future administration of the State and if we question those actions we will be regarded as questioning the administration. But with this difference that, as there is no definition of the word "administration" we will be held responsible. At the present moment, as far as we have been able to find out, the civil disobedience movement even in British India is on the wane. The Congress has, if not officially, at least unofficially, withdrawn civil disobedience as a political programme. At such a moment when there is no necessity for a law of this nature it is really encumbering the Statute-book to bring forward measures of this kind.

The fact that the agitation in the press materially helps Government in coming to right decisions on the condition of a State will be, I hope, admitted on all sides. The ignorance of the ruling classes was well known even before the French Revolution and lately in the other place a distinguished Member cited the ignorance of one of the ruling princes. All this shows that this ventilation of our grievances in the press serves a two-fold purpose. It brings maladministration to the notice of the ruler himself and it brings the matter to the notice of the Political Department. In this connection, Sir, I would like to quote the opinion of some people whom I regard as competent on this subject. The Commissioner, Kumaon Division, who acts as Political Agent to some States as well, says, in the Opinions that have been circulated to us, on page 10 :

"I doubt whether this or any other Act will be an effective remedy in cases where the personal idiosyncrasies of a ruler lay him open to attack".

Then further on he says :

"There is unfortunately little reason to suppose that any legislative action will finally kill a nuisance which *thrives on the willingness of a ruler to pay blackmail* as the cheapest way to avoid trouble".

Sir, then we have the opinion of the Commissioner, Central Division, Bombay. These are all, I may point out, the opinions of executive officers who will have to deal with this matter in the day-to-day administration.

"It is not desirable that the editor of a newspaper should be exposed to the risk of conviction for exciting disaffection amongst the subjects of an Indian State if he brings to light the true facts as to acts done by the administration which, if made known, can not but *excite disaffection*".

The District Magistrate, Poona, who ought to know because he is surrounded by Indian States and acts as Political Agent says :

"The administration of the Indian State is an internal part of our Government machinery in India. Press agitation against a State is, I should imagine, mostly ineffective and when it is effective it is either desirable or *can be dealt with under our present law or the provisions of this Bill*".

He thinks that our present armoury is quite sufficient to deal with the menace, if there is one, and there is no necessity of further armour.

Then, Sir, the Additional District and Sessions Judge, Ajmer-Merwara, says :

"The States as they are constituted at present .....require the healthy check of fair and fearless criticism from the press and platform of British India to keep them going right".

When I said that the saving clauses were not sufficient, it may have been thought that I was exaggerating ; read the opinion of the District Magistrate, South Kanara, who says (at the end of paragraph 2) :

"It may well be asked, what is a movement ? What is interference ? These are very subjective words, capable of almost any interpretation and I think that *it is unwise to use such vague terms in a penal enactment*".

The District Magistrate of Trichinopoly says :

"that this Act gives jurisdiction to *Courts in British India to try offences committed by a subject of a State within the territory of a State*".

I have not been able to find any amendment in the Act itself which will take away this extra-territorial right which has been mentioned by the District Magistrate. It will be a welcome day for us, Sir, if this legislation were to bequeath this right to us ; we know that in connection with the States the thing which is most usually relied upon is not a treaty but usage and sufferance. If we look at the treaty, we will find, at least in the case of the major States, that they have almost a suzerain status and it is only by sufferance and usage that the Political Department has acquired the amount of control which it now exercises. If we are to believe that this is the thin end of the wedge and that we are going to acquire by means of sufferance and usage that right, I would welcome this measure with open arms.

Sir, I do not wish to detain the House very much longer. I have only a few words more to say. The reason for our not coming forward to help the Government in passing this Act is that we regard it as a one-sided affair. We are not getting any return for our extended hand of friendship. The Government can tell us and has told us in another place that in some of the States we have been given these powers, that if British Indian subjects committed an offence in British India, and went to an Indian State or if they did any overt act, in an Indian State, they were liable to be punished. That may be so, but that was our accrued right. That was the right which we had acquired by sufferance and usage. This is not what we are getting in return for this.

Then, Sir, there is another point, that when we are under the suzerainty of a power that relationship creates many kinds of obligations, and that is an obligation we can owe only to the supreme power and that obligation does not arise in other cases. For instance, it is a well-known principle of international law that political offenders find asylum in different countries and it has been the practice to give asylum to political offenders. The idea underlying is that the political offender has offended only against the particular form of government which is functioning and not against the humanity or against the people in general, and therefore they are immune from extradition. In the same way, the people of British India and the Indian press owe allegiance to His Majesty's Government and therefore His Majesty's Government have

[Mr. Hossain Imam.]

a right to demand from us that we should help the administration in carrying out the work. We should not hinder that administration. But this right cannot be claimed by authorities who are outside His Majesty's Government. We in British India times out of number have criticized the action of South Africa which is a component part of the British Empire—a self-governing dominion. We are not debarred from that. The press is not debarred from that. Why should we be debarred from having the same rights about our Indian States which also form part of the British Empire as we have against the self-governing dominions? The Indian States cannot claim at one and the same moment to be in direct relationship and out of British India, and have the same rights which we give to our Local Governments.

To sum up my remarks, we are not getting any return for this Act and therefore we oppose it. Secondly, we are not constitutionally bound to give support to a power which is not part and parcel of British India.

Sir, I oppose this Bill.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) : Sir, the Honourable speaker who has just sat down questioned the necessity of this Bill. He questioned the justification for a measure which proposes to give protection to the princes when in return British India could not expect anything from those princes. He wound up this part of his argument by saying that the only reason that he could see in this Bill being presented to the House by the Government is the interest which the British Government is taking in these Indian States and that but for the help that the mighty arm of the British Government was giving to these States, these States would long ago have disappeared from the map of India. If these are the sentiments which one like my Honourable friend, occupying a responsible position in the country, entertains, and if this is the solicitude which we in British India evince for the welfare of the Indian princes who after all are our kith and kin—

THE HONOURABLE MR. HOSSAIN IMAM : What about the people ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : I am coming to that next. I feel that there cannot be a stronger justification for bringing this kind of measure before this House as the attitude which has just been evinced by some of my Honourable friends in this House. Of late, Sir, there has been quite a plethora of movements which were in no small degree embarrassing to the Indian States against which they have been directed. The Indian Princes Protection Act, which has been in force since 1922, was found to afford no protection whatever in this direction. Its procedure was found to be cumbersome and defective and the remedies it offered thoroughly ineffective. This is the reason which has actuated the Government in bringing forward this Motion before this House. Sir, one of my Honourable friends who opened the discussion on this Bill observed that the mere fact that prosecutions under the Act of 1922 involved serious waste of much money and time could not afford any justification for passing this sort of measure. My Honourable friend, in making this kind of observation, forgot that it was because the action taken under this Act proved not only to involve a great amount of time and money but also results which were calculated to defeat the very object for which the prosecutions were launched—

THE HONOURABLE MR. HOSSAIN IMAM : What are they ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : —that is, they gave opportunity to the newspaper to continue to publish the same kind of statements, to persist in the same campaign of vituperative attacks, and all this could not be stopped while the trials in the judicial courts were dragging their weary length and it is to remedy this state of affairs that this Bill has been brought forward.

What is it that this Bill proposes ? All that it aims at is simply to afford protection to the Princes from malicious and mischievous activities in British India which are designed to subvert the Government in those States. Sir, if there is any maladministration in any of these States, if there are any serious grievances in Indian States which require to be redressed, this Act will not prevent constitutional agitation being carried on in British India so long as it is carried on in an honest endeavour to bring about improvement in the State and redress those grievances.

THE HONOURABLE MR. HOSSAIN IMAM : How ?

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : This can be done by stating what actually happens in those States without importing heat, without casting any slur, without making any insinuations. Sir, so long as constitutional agitation is allowed, I hold that there can be no objection to the principle of this Bill. On the other hand, I feel that the affording of this protection is a duty which British India owes to its neighbour Indian India, in order that this part of India might be able to carry on its administration without any gratuitous and undue interference from outside. So long as an Indian State carries on its government in a reasonably fair manner whether it be a purely autocratic form of government or a government which has representative institutions such as those that exist in some Indian States, so long as this government is carried on in a reasonably fair manner, no outsider has any right to interfere with it however much he might wish to change the form of that government to make it conform to what he thinks is the best, the ideal form of government. Sir, there is nothing like perfection in this world. Nothing that human ingenuity can devise can be claimed to be perfect and flawless. Therefore it does happen that autocratic rule in an Indian State might sometimes be as bad as the government in any other country might at times happen to be bad and disappointing even though it is based on democracy. Therefore it is not a question whether the form of government that obtains in the Indian States is or is not a replica of the form of government under which we live, it is not a question of autocratic or democratic rule, it is a question of whether it is the rule which is suited to the genius of the people, whether it is one which conduces to the well-being of the people in the State, whether it is one which caters for their needs and strives to bring them peace, prosperity and happiness. Therefore I repeat that so long as the government in an Indian State is carried on in a reasonably fair manner there is no justification for interference from outside, and much less from British India which is a neighbour of the Indian States. When I say this, I do not in the least mean to suggest that we ought to help in perpetuating and stereotyping the various forms of administration that we find in the States all over India. I do not mean to suggest that we ought to aid and abet the Indian Princes in carrying on the form of government which might have become obnoxious to the people and which the people in their States might wish to be liberalized and improved. All that I mean to say is that we have no right to create trouble. We have no right to organize *juthas*



[Saiyed Mohamed Padshah Sahib Bahadur.]

and lead them into those territories in order to create trouble. We may have, and I dare say we do have, a right to agitate for reforms whenever there is occasion for that. We have a right to advocate the cause of reform in any State whenever we see that there is justification for it. But we have no right to force the pace, no right to disseminate disloyalty and disaffection among the people of the Indian States in order to incite them to take to unlawful methods with a view to overthrow the government under which they are living and which, but for our incitement, they have been cheerfully acquiescing in. Therefore I say that the object for which this Bill is introduced is perfectly legitimate and one which ought to be upheld by the Honourable Members of this House.

Now as regards the various clauses of the Bill I will just refer to the more important ones. Clause 2 of the Bill seeks to give to the Indian princes the same kind of protection which has been given to the Asiatic Powers under section 175 of the Indian Penal Code. I feel that there cannot be any possible objection to this. As regards clause 3 this is a clause, Sir, which has occasioned considerable controversy both in the Legislature and outside it. It is common knowledge that there is a section of the press in this country, a very small and insignificant section at present no doubt but a section which is growing daily, a section which, day in and day out, indulges in attacks upon the princes. In season and out of season it persists in a campaign of vilification. This section of the press subsists merely on what it can get by way of blackmail from the princes. Sir, is it not in the interests of even British India and of the respectable part of the press in India that this section should be discouraged? (*An Honourable Member*: "Will it be discouraged by this Act?") It is bound to be. In the other House when this measure was under discussion the Honourable the Political Secretary made it quite plain how in this section of the press attacks were often levelled against Indian princes, very venomous and bitter attacks, and were persisted in for days together but which all of a sudden disappeared altogether, and not only do these attacks suddenly disappear but the very princes on whom all this venom had been expended became the objects of encomium and appreciation by the same newspapers. This goes to make it clear that it is not solicitude for the welfare of the people in those States which has prompted the newspaper to make those attacks but the promptings were due to something else. They were due merely to a desire to extort money from the princes. (*An Honourable Member*: "What about those who have bribed? Have you a word of condemnation for them?") The princes cannot be regarded quite like ordinary individuals. It is not very easy for them to resort to courts of law to clear their character, and if they did attempt it, it took so much time that by the time the decision was given in the case and the character was cleared, all the mischief that was intended by the newspaper would have been done completely. Therefore even though it is reprehensible that these princes should offer such temptation, but some of them do it out of sheer necessity. I do not justify them in that but I pity them for the sad plight in which they find themselves. Now, Sir, this section of the press is not only harmful to the interests of Indian States but it is highly prejudicial to the interests of British India also because not only does it drag into the mire the reputation, prestige and honour of the Princely Order but its very existence casts a slur upon the whole press of India. Therefore, Sir, if anything is done to discourage this section, it could not be contended that the liberties of the press in India have been assailed. All that I would say is necessary to safeguard in this Bill is to see that in the

attempt we make to discourage this section of the press, we should not do anything which would go to curtail the freedom enjoyed by the reputable section of the press. I feel, Sir, that the Select Committee has done all that it could do to try and ward off this contingency, but I feel, nevertheless, that there is still this danger—that the way in which this provision of the Act is administered might result in curtailing the freedom enjoyed by the respectable and responsible press in India. The question is whether the authority that will have to decide about this malicious intention referred to in Explanation 5 is the authority which will be competent to decide that question. An executive officer ordinarily cannot be expected to bring the sort of mind to the consideration of such important questions as the intention of malice sort of mind that could be expected to be brought upon the consideration of that question by a judicial officer. However, Sir, I feel that we need not be unnecessarily alarmed at this state of things, because we feel that even though a similar provision obtained in the Press Act which was enforced for nearly twelve years from 1910 to 1922, these provisions were not very stringently and rigidly administered. There have not been any frivolous prosecutions which could not be made and successfully maintained in the law courts. I feel that if only the Government issues necessary instructions to district officers this provision of the law could be prevented from causing any unnecessary hardship to the respectable press of India. The Government should therefore issue instructions to executive officers that they should be very careful in administering this provision of the Act and they should not be carried away by their zeal. All Honourable Members who have taken part in this debate have approved of the restriction that is proposed to be placed upon the right of British Indians to organize *jathas* in British India in order to lead them into Indian States. I need not say much about this. All I would like to say about it is that it is a very unhealthy and objectionable way of exercising pressure upon Indian princes if we allow these disruptive forces to be collected here and sent from British India to make inroads into the territories of Indian princes. Sir, so far as clause 5 is concerned, I am afraid—

**THE HONOURABLE THE PRESIDENT :** You will have another opportunity of discussing these clauses. This is the stage at which the principles of the Bill are discussed.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** Sir, I was not discussing in detail. I was simply making a passing reference to the clause. All I want to say is that the powers contemplated to be taken seem to be a little too wide. Government in this instance also should issue definite and clear instructions to district magistrates to make sure of the fact that the act they are going to prevent and which is contemplated by the person on whom the order is going to be served is such as is really calculated to create trouble in an Indian State.

Sir, I feel that this Bill is decidedly an improvement upon the Bill that was introduced in the first instance in Simla in the Legislative Assembly. Important modifications have been effected both by the Select Committee and by the Legislative Assembly during the discussion they had on this Bill recently.

Sir, I support the Bill.

**THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) :** Sir, I am not a lawyer and cannot understand the implications of the various clauses. But it is strongly felt that the Indian States have a right to be protected from

[Sardar Buta Singh.]

conspiracies formed in British India in order to overawe the administration of their States and the marching of *jathas* to create disorder. The initiative under the Indian Press Act against the presses and newspapers published in British India will lie with the Government of India or with the Local Government and not with the State concerned. We can, therefore, depend that this discretion will be wisely exercised and only when it becomes inevitable. This in itself seems a safeguard against the misuse of the proposed legislation and I therefore extend my support to the Bill.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras : Non-Muhammadian) : Sir, I rise to support the Bill which has been passed by the Legislative Assembly. In view of the princes joining the Federation it is but right that some protection should be afforded to them from scurrilous attacks from the press. (*An Honourable Member* : "Have they joined ?") They are going to ; you and I wish they should join. It is but right that some sort of protection from scurrilous attacks from the press and the organized activities from the press and the organized activities directed against State authority should be given. The ordinary law is quite inadequate to afford them the necessary protection. As we are going to have constitutional changes very soon and everyone is anxious for the entry of the princes into the All-India Federation, it is nothing but bare justice that protection should be afforded to them in British India. Otherwise undesirable newspapers will make it a point to attack the princes and make something out of such attacks. Such attacks are quite unjustified and it is a menace to public life that such a state of affairs should continue. I am sure, however, Sir, that this Bill is not directed against honest and *bona fide* criticisms and the legitimate liberties of the press. As a matter of fact the Local Government must be satisfied before any prosecution is sanctioned and therefore there need not be any fear that frivolous prosecutions will be launched. I think it is but right that we who are anxious for the princes joining the Federation must give as far as possible protection in British India. I have great pleasure in supporting the Bill.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, up to a few days ago I was not aware of there being any connection, direct or indirect, between sugar, matches, princes and fireworks. That was, however, the sequence of events in the other House. One could not make out what bearings those had with each other. Were the fireworks intended for the amusement of the princes or as an inducement to join the Federation ? Whatever that may have been, the Bill as presented to this House is divided into two principal parts ; namely, one relating to *jathas* and the other relating to the liberty of the press. There does not seem to be much of a serious opposition with regard to *jathas* ; but as regards the legal aspects of the Bill the debate has been long and vehement. It is not for a layman like me to enter into the intricacies of the legal interpretation of its sections. I shall content myself with a few general remarks and to ask an explanation or two from the Honourable Member in charge of the Bill. The princes, Honourable Members undoubtedly realize are, after all, human. They are endowed with human frailties and human faults, a great deal of which depends upon their environment and up-bringing. If I were to describe some of the methods of their up-bringing, they would startle the equanimity of the House. It cannot be said that they are paragons of all the virtues, nor are they so bad as they have been depicted. Certain it is, however,

that Members of the Legislature have been inundated during the sessions with all sorts of complaints about the rigorous measures or misdeeds or maladministration in various States. It is not, however, intended by this Bill to allow the Legislature to interfere in these matters. With regard to the publication of incidents which have happened, we are aware that some three or four years back the press in England, in other European countries and also in India was flooded with information about the involvements of a certain prince. I should like to know from the Honourable mover whether the reproduction of such reports in India in future would impose upon the press a penalty? Or again, certain events may occur and become the talk of the market place; would their publication lead to a prosecution? Take, for instance, that an incident that has occurred; that it was a matter of fact and was published without malicious intent but for the information of the public, would the press come under the clutches of the law? Very often incidents are related which may not be malicious, nor intended to evoke contempt or hatred against the prince, but would lower him in the estimation of his subjects. Under these circumstances, I contend that it would be extremely difficult to draw the line between a malicious intent and a statement of fact.

I happened some time ago, Sir, to come across a news-sheet in which one of the old Rajas of patriarchal times discoursed upon the present-day style of living adopted by some of the modern princes. He dwelt upon their long absences in England, their extravagance and also their neglect of their subjects. He further said that there were two kinds of mail—the *blackmail* and the *whitemail*. By *blackmail* he meant money that was extorted through the vilification of a prince and for his sins of omission and commission. By *whitemail* he meant mere whitewash. An instance of the former was given by the Honourable Mr. Glancy in the Assembly when he said he learnt on inquiring into the sudden cessation of attacks upon a prince, that the *material* supplied to that press had changed. No doubt it was a substantial change! As regards *whitemail* it is *whitewash*—it is perhaps equally profitable, and all that it says is that all is for the best in the best of all possible States!

In former times, Sir, the oppressed subjects of an Indian State very often took the law into their own hands. They did it in a very quiet manner, not through the press or platform, nor through riots or strikes, but in a very simple and efficient manner. They collected their goods and chattels and their carts and quietly stole out of the village and went to some place that had previously been settled. That was done generally in the dead of night when the watchmen were fast asleep. When the prince awoke at the dawn of day and saw what had happened, he at once realized the situation and sent his ambassadors to remonstrate with them and offer suitable terms to the people to return to their homes. They then flocked back. And it must be said to the credit of the prince that he kept his promise to the people. Such happenings were not infrequent in times within living memory. This information, Sir, was given to me by a gentleman who was once a Commissioner of Police in one of the Kathiawar States.

The question of paramountcy, Sir, has been hotly debated. The princes owe allegiance to the Crown and to the Viceroy as the agent of the Crown. They have their rights safeguarded by treaties—the Crown upholds their rights to their States and their powers. The Honourable Mr. Glancy said in another place that in case of maladministration, etc., all that Government could do was to advise but not to interfere. Then the question arises, supposing that the advice was disregarded or ignored time after time, what would be the result? I would ask the

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

Honourable Member, is it not the prerogative of the Crown, that protects the privileges of the princes, to see that they govern well, that they do not oppress their subjects, nor fritter away their resources, exacted at times by dubious methods from their subjects. Whatever absolute powers vested in them may be, it is incumbent upon the Crown to protect their subjects against ill-treatment or arbitrary abuse of powers. What changes Federation may involve is upon the knees of the gods. One would however hope that light may then penetrate where darkness prevails at present.

Sir, I support the Motion for the consideration of the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan). Sir, I regret I cannot support the consideration of this measure on account of certain sections which I shall deal with later on. My friend Mr. Hallett, when he moved for consideration, said that as there is only one amendment on the agenda it showed that the Bill has the support of the House except so far as that section is concerned. Sir, that is not the reason why amendments have not been tabled. The reason is this, that the amendments would have met the same fate as other amendments have met on previous occasions and therefore it was no use to give more amendments. But we on this side of the House felt particularly disgusted with section 3 of the Act and therefore one of us has tabled a particular Motion for its deletion.

Sir, I do not think that, with the existing Acts and sections 144 and 124, any other Acts are required by the Government to muzzle the press or to do anything they like. We daily see, Sir, that under section 144 people are being prevented from coming out of their houses from say six o'clock in the evening to six o'clock in the morning. We have seen, Sir, that under that section people have been prevented from riding on cycles. We have seen, Sir, under that section people have been prevented from assembling anywhere in groups of more than three or five. We all know, Sir, that under that section people have been prevented from using sticks and so on. Since we can do anything under that section, what is the necessity of bringing in this Bill, and especially, Sir, when it is concerned with a particular class who, we hope, may join the Federation when it will come into existence? I think it was but proper that this Bill ought to have been postponed till the princes had joined us and we were in a position to work hand in hand, and to lay before them the grievances of their subjects and hear from them how they were dealing with them.

Sir, the wave of independence or getting more reforms or having more privileges in the administration of the country is going from British India to the Indian States and if the subjects there demand that they should have a constitutional Assembly just as we have got in the provinces and the Central Legislature, I think their demand is quite legitimate. Sir, we all know what the previous speakers have said, how in the Indian States the press is not allowed to give vent to the grievances of the people, the subjects of the States—I do not say, Sir, all the States, there are exceptions—the subjects of the States have to come out here to British India to hold conferences to put their grievances through British India. After this Bill is passed, the Government and the British Indians will be absolutely in the dark about the administration of the Indian States. There are some States which have established Legislatures and it is in the fitness of things, Sir, that others too should follow suit. I admit that there are some papers which indulge in vituperous language—

the gutter press, as it has been called. On the other hand, there are princes and princes. My Honourable friend Mr. Hossain Imam has given instances which would not be liked by any man having national views. So, it is the duty of the Government not only to protect the princes but also to protect their subjects. If Government are going to have this legislation to give more power for the protection of the princes they ought to have similar legislation for the protection of the subjects also. Government knows that they do not enjoy as much right as we enjoy here in British India.

Then, Sir, we are asked to legislate for the protection of the princes. But we are debarred from saying anything here about their administration. It is only because this Bill has come before us that we have been able to say something about them. Otherwise, if we even mention the subject, you, Sir, would have pulled us down and would not have allowed us to do so. In rule 28 (I) (ii) it is provided that :

“No question shall be asked in regard to any of the following subjects, namely :

‘any matter affecting the relations of any of the foregoing authorities with any prince or chief under the suzerainty of His Majesty, or relating to the affairs of any such prince or chief or to the administration of the territory of any such prince or chief’.”

So, we cannot even put questions here in this House about the administration of the princes, however bad it may be. Then, Sir, in rule 118 (J) (ii), it is provided that :

“No resolution shall be moved in regard to any of the following subjects, namely :

‘any matter affecting the relations of any of the foregoing authorities with any prince or chief under the suzerainty of His Majesty, or relating to the affairs of any such prince or chief or to the administration of the territory of any such prince or chief’.”

So, on the one hand, we are asked to give more power to protect the princes and on the other hand we have absolutely no right to question their administration in the Legislatures. I do not think this is at all proper and sound. As I have said, the time for legislation has not yet arrived. It will come after Federation. I am supported in this view by Government officials. District officers and commissioners are of the same opinion that the time has not yet arrived. I would invite the attention of Honourable Members to page 16 of the Opinions where the District Magistrate of Poona says :

“I consider the history of the relations of British India with the Indian States for the past few years proved beyond doubt that all the provisions of this Bill are necessary except possibly section 4—the press section. A case certainly has not been made out for this section nor do I think on the whole it is necessary or desirable. Press agitation against a State is I should imagine mostly ineffective and when it is effective it is either desirable or can be dealt with under our present law or the provisions of this Bill”.

This is the opinion of one of the district magistrates. If Honourable Members will turn to page 20 they will find the opinion of the Government of Burma which runs as follows :

“His Excellency in Council does not propose to criticise the detailed provisions of the Bill and has no doubt that, if any of these provisions are so wide as to be capable of use to restrain what might be regarded as legitimate agitation against or criticism of the administration of particular Indian States, the necessary modifications will be made in Select Committee or in the course of passing the Bill through the Legislature”.

[ Rai Bahadur Lala Mathura Prasad Mehrotra. ]

Thus, the Burma Government is also of opinion that the Bill as drafted was not proper." Sir, we are not bound to have the same regard for the Indian States as we are bound to have for our own Government. The State subjects may be asked to have as much regard for their own States but we are not bound to have the same regard for the Indian States that we have to our own Government. This view of mine is supported by another official. If Honourable Members will turn to page 22, they will find that the District Magistrate of West Godavery has said :

" The offence of sedition is a very serious offence against the State next only to waging war. But an offence committed by a British Indian subject against the Government of another administration may, I think, be treated as an offence of a different category, instead of being treated as of the same nature as an offence of sedition against his own Government. Probably a different section with a lesser degree of punishment may be appropriate ".

We are here prohibited under certain Acts from committing certain offences against our Government. We are not bound to show the same regard to the Government of other States. By this Bill, we are required to show the same regard for the Indian States as we show to our own Government. There was no necessity of further gagging the Press than under the provisions of the Indian Press (Emergency Powers) Act, XXIII of 1931, as amended by the Criminal Law Amendment Act, XXIII of 1932. Sir, that Act is existing and it was not necessary to have another amending Act without giving a fair trial to it. Less than three years ago this Act was passed, and we find that after such a short period, which is certainly insufficient for a fair trial, another amending Bill is brought in with more severe sections. I regret my friend Mr. Padshah is not here. He started by saying that he had solicitude for the Princes and the present Act involves much time and energy in trials in judicial courts. He wanted the trials to be conducted by criminal courts. But later on when he developed his argument he changed his opinion and said that judicial courts are better and more efficient. So there can be no two opinions so far as judicial and criminal courts are concerned and I am glad that he changed his opinion and expressed a preference for judicial courts. So we find under this Bill that a judicial trial is going to be substituted for a criminal trial with a power of revision in the High Court, and we know what value will there be in this revisional power of the High Court. So far as this section is concerned, from the opinions expressed by a large number of officials it appears that they object to this section and hold the same opinion as the public have expressed. On page 21 the Madras Government says :

" The Madras Government however doubt whether the clause, differing only as it does from the Indian States Protection Against Disaffection Act of 1922 in the machinery whereby penalties are to be enforced, is necessary or desirable ".

Then on page 26 the District Magistrate, Chittoor, says :

"The provisions of section 4 (the present section 3 was then section 4) present some difficulty in my opinion. It is common knowledge that the administration of many of the Indian States is corrupt and mismanaged. If the Press are not allowed to ventilate just grievances no publicity can be given to the existing maladministration in such States. A closer co-operation and mutual reciprocity between the British Government and the rulers of Indian States are no doubt requisites for the smooth working of the new Constitution, but I consider that the time for extending the provisions of the Indian Press (Emergency Powers) Act, 1931, as proposed in section 4 of the Act, has not yet arrived ".

**THE HONOURABLE SIR DAVID DEVADOSS :** May I ask, Sir, whether these reports were not before the Select Committee? This Explanation was inserted at the instance of the Select Committee.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I think they were before the Members. So, Sir, many officials are also of the opinion that a fair trial has not been given to the Press Act of 1931. If Honourable Members will turn to page 16 they will find that Mr. A. H. S. Aston, Additional Judicial Commissioner of Sind, says :

"I am not in favour of the amendments contained in sections 3 and 4 of the proposed Act, which appear to me premature. It will no doubt be necessary hereafter to take special precautions to protect each unit in a federated India. But the need for such legislation does not appear to me to have arisen yet".

They are all of the opinion that the time has not come. The Commissioner, Central Division, says :

"It is not desirable that the editor of a newspaper should be exposed to the risk of conviction for exciting disaffection amongst the subjects of an Indian State if he brings to light the true facts as to acts done by the administration which, if made known, cannot but excite disaffection".

The District Magistrate, Poona, says :

"I consider the history of the relations of British India with the Indian States for the past few years prove beyond doubt that all the provisions of this Bill are necessary except possibly section 4—the press section. A case certainly has not been made out for this section nor do I think on the whole it is necessary or desirable. Press agitation against a State is I should imagine mostly ineffective and when it is effective it is either desirable or can be dealt with under our present law or the provisions of this Bill".

This is the same opinion which I have just expressed, that they can be dealt with under the existing Act and it is not necessary to bring in this amending Bill. The District Magistrate of Larkana says :

"Clause 4 of the Bill is open to the objection that it will prevent the ventilation of genuine grievances and the criticism of real misgovernment".

The District Magistrate of Belgaum says :

"I see nothing objectionable in the provisions of the Bill except clause 4".

So, Sir, it is not one or two but dozens of Government officials, district magistrates, commissioners and judicial officers, who have expressed the opinion that it was neither desirable to have the Press Act amended by this section nor proper to do it at the present stage. When that is the case, what is the reason why Government is anxious to get this Act passed? That is the question which many people ask. When we find that the existing law is quite sufficient to control the class of people whom Government desire to control, when we find that the Press Act has not been given a fair trial though it is quite sufficient for the purpose and this Act is not required, we ask why is Government anxious to get this Act on the Statute-book as soon as possible? Sir, we consider that the Government are bribing the States for their joining the Federation. That is the idea which we have formed, and I am very glad that one of the officials has said the same thing in his opinion. Honourable Members will be pleased to hear the opinion of the Collector of Dharwar. He says :

"The only provision in this Bill which appears controversial is section 4. Should it be rendered impossible to bring rulers of Indian States into hatred and contempt when some of them are notoriously the most contemptible objects?

"It appears to be part of the price that British India has to pay for the reforms which are not being elaborated".



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

It is put in very clear language. He says it is the price which British India is paying these princes for their joining the Federation, and that is what we in this part of the House are thinking, that the Government is bringing this Act because they want to rope the princes into the Federation. Sir, we all welcome their coming into the Federation and sitting side by side with us,

4-5 P.M.

but we should certainly like the subjects of Indian States to have the same rights and privileges as we in British India have. If they have no objection to that, we would welcome them and we will consider ourselves honoured by their presence in these Legislatures. I hope the Government who have so much solicitude for the princes would also see that the rights and privileges of the subjects of States are protected somehow or other.

With these words, Sir, I close my remarks.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan): Sir, I rise to support the real object underlying this Bill. The Bill can be divided into two parts, one part deals with *jathas* and the other the press. As far as *jathas* are concerned, we Punjabis had considerable experience of them and we found that they hatched conspiracies and invaded Indian States to excite the mob to violence, rioting, arson and murder. I therefore hope that every Member of this Council will give their support to stop such *jatha* movements and its invasion into Indian States. As far as the press is concerned, I was expecting the Honourable the mover of this Bill to suggest some method by which State subjects could ventilate their grievances—I think we as well as the Government have the progress and the improvement of the administration of Indian States at heart. In case we stop State subjects from ventilating their legitimate grievances through the press, what avenue will those State subjects have to ventilate their grievances? I think it is the sacred duty of the Government in order to rightly guide and improve the administration of the States to find some method by which the right grievances of the State subjects could be ventilated. Either the present Indian State Peoples' Conference or some similar institution ought to be made exempt from prosecution while ventilating their grievances. There must be some source left by which the maladministration of Indian States be exposed. I would therefore request the Honourable the Home Member or the Home Secretary to let this Council know as to what method they want to substitute as they are going to take away this power of the press from ventilating the grievances of State subjects? Another thing on which Government has not thrown any light is as to how they intend to effect improvements in the standard of administration in Indian States. At present we find that in most of the Indian States the services are not competent. Efforts should be made in this direction and also in giving proper education and training to their rulers. I also wish that the Government Agencies in the various Indian States be instructed to post the Government of India with all the right grievances which the State subjects may have. Sir, there are very big States and also very small States in India. In Simla Hills we have very small States, the annual income of some of them is about Rs. 200. Are you going to place such States on an equal footing with the ruling chiefs or with those ruling princes who are entitled to a salute? These small Chiefs ought not to be treated on a par with the big Princes in this matter.

With these few words, Sir, I give my support to the consideration of the Bill.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official): Sir, in the course of the debate to which I have listened very patiently one or two things have occurred to me and I think it is my duty to lay them before this House, even though the hour is late. I do not propose, Sir, to take upon myself to examine the soundness of certain propositions that were laid before this House by the Honourable Mr. Hossain Imam. The attitude of benevolent indifference that he seems to have adopted with respect to the present Bill reminded me of certain answers that were given to a Committee of which I happened to be a member by a certain candidate for the Indian Civil Service. I believe this was about three or four years ago. The candidates who had taken the Indian Civil Service examination were being examined by a Committee on which I also sat, and in order to test the general intelligence of a bright young man who came to us and attracted our attention I believe one of us put the question—I am afraid the sinner was myself and I put the question—"Have you any solution of the Indian States problem to suggest?" The young man brightened up with joy, just paused for two or three seconds and said "Yes." He was asked what the solution was and he said in a cheerful tone "Confiscate them".

THE HONOURABLE MR. HOSSAIN IMAM : That is the right solution.

THE HONOURABLE SAIYID RAZA ALI : The next question was, "What would you do with the Ruling Chiefs?" and quickly came the reply "Pension them off!"

THE HONOURABLE MR. HOSSAIN IMAM : Right solution again.

THE HONOURABLE SAIYID RAZA ALI : The third question was "Do you not think that that would lead to bloodshed in India?" and to that the answer was "It does not matter!" If this is the attitude, Sir, I do not think most of the Members of this Council can follow that up with any profit.

But coming to the important question as to how far the provisions of this Bill are entitled to the support of this House, all I can say is that the very first question which has been debated at very considerable length is whether there is any necessity for a Bill of this character. Reference was made to the Princes Press Protection Act that was passed in 1922. We know, Sir, the short history of that measure. We also know the fate with which that measure has met. Very briefly stated, Sir, the facts that have made a change, an enormous change, since the year 1922 have been the quickening of consciousness and the carrying on of agitation—and I am never afraid of the word agitation, in fact I do not think I have been less than an agitator myself for the most part of my life—but the agitation against certain Indian States has degenerated into vilification. We know, Sir, that in 1922 there had been no agitation against Kashmir, or against Alwar, or against Bahawalpur, or Patiala. So, having regard to this very important fact, it is not surprising that a measure of this character should be brought before this House.

Now, as to the attitude of the princes themselves, the question is whether they have deserved well or ill at the hands of the Government of India. I think the princes, most of them, indeed the vast majority of them, have done very well and have not spared themselves at any time when they were asked to undertake a duty by the Government of India. Now, if that is so and if there is such a thing as the principle of reciprocity working in this world, I entirely fail to see how the Government of India or this House can refuse to help the princes if they had made out a case.

[Saiyid Raza Ali.]

I would not at this stage, Sir, try to analyse the provisions of the Bill but we all know the parts into which the Bill can conveniently be divided. So far as I have been able to follow the speeches made in this Council, it seems that there is something like practical unanimity that no exception should be taken by this Council to the provisions against the formation of *jathas*. The provisions for counteracting what I might call direct action on the part of those who are interested in the Indian States are indicated in clauses 4 and 5. Since there is something like practical unanimity on that question, I do not think it is necessary to take that up. But there is another question which relates to the measures that have been embodied in clause 3 and which aim at the activities of a certain section of the press,—what might be called perhaps the irresponsible press—and it requires consideration. Now, Sir, so far as this point is concerned, I have tried to give my very careful consideration to the Bill and yet I am not quite free from doubt whether this provision is not likely to work a certain amount of hardship. After all, how are the grievances of any section of the people, whether they belong to British India or to an Indian State, to be ascertained? They can only to be ascertained by ventilating those grievances in the press. After all, the strongest searchlight through which exposures of abuses can be made is the searchlight of criticism. I know that a certain section of the press has indulged very fully in blackmailing. They have victimised the princes. They have blackmailed the princes. And under various threats, founded or unfounded, they have obtained huge amounts of money from the princes. That must quickly be stopped and we must take all the steps necessary to put a stop to that. But at the same time, we should be very careful not to so widen the scope of any provisions of the Bill as to put a check on the ventilation of real and legitimate grievances. Now, Sir, I am aware that a very important explanation which is termed Explanation 5 has been mentioned in clause 3 of the Bill. I hope that up to a point that will safeguard the rights of those who are interested only in the redressal of the grievances of the subjects of Indian States. Whether this goes far enough is more than I can say. But there is one thing which I hope is quite as important in this connection as Explanation 5 which has been added to clause 3 of the Bill, and that is the vigilance of that watchdog of the rights of the subjects of the Indian States, namely, the Political Department of the Government of India. I know it is not always right to rely exclusively on the vigilance or carefulness of any particular Department but knowing as we do what the Political Department has done in regard to the protection and safeguarding of the rights of the subjects of the Indian States, I hope that if that attitude continues there is not the least doubt that it will prove as effective a safeguard as Explanation 5 of clause 3 of the Bill.

Sir, consistency is not always to be found in this world but the difficulty is that a section of the Indian press that is unfortunately interested in the Indian States is more inconsistent than most of us human beings. My study of the problem of the Indian States is this—that a section of the press, wherever anything goes wrong in a State, is loud in its demand of intervention on the part of the Government of India. It even assumes to be disappointed at the Government of India not taking earlier action. And if it is a fit case and if action is taken by the Government of India, as soon as action is taken by the Government of India, the Government of India is denounced. What for? Not because it took the action but because, it is alleged, the action taken is too sweeping, too wide, too rigorous, too stern. Sir, that being the state of affairs, I very much sympathise with the Government of India having regard to the class of people with whom they have to deal, but I hope that the Political Department

will continue to take as keen an interest as it has done in the past in protecting the subjects of the States from their enemies—may I say both external and internal?

In this connection, a lot has been said about autocracy and the autocratic temper developed by the princes and the indignation that is caused in British India because of the existence of that autocratic temper. I shall not go into the question of the form of government obtaining in various Indian States. But may I in this connection, make a suggestion for the consideration of Government? It is impossible for any one of us to suggest that before giving consent to this Bill, the Government of India should bargain with the princes as to what they would give us in return in the shape of establishing a particular form of government for their subjects. I think that is too big a question and the implications involved are too obvious to be discussed at this hour, I do not therefore propose to discuss that. But I think there is a suggestion which if properly considered might result in something tangible, in something fruitful, in something which is likely to promote the interests of the subjects of Indian States. It is this. I know that in Southern India, in certain States, a certain percentage of the revenues of the State is earmarked for the Prince and his family, and is known as his privy purse. Unfortunately, this system does not obtain so far as the majority of the States in India are concerned. It may be that the States subjects want a change in the form of government. But what they want more than a change in the form of government is that enough money should be released for the promotion of beneficial objects in the State itself. It is obvious that this cannot be done unless a fixed percentage of the revenues, and no more, is assigned to the prince or ruling chief. It may be that the prince and the ruling chief are not functioning themselves but that their duties have been taken up by a council of regency. If the council of regency functions, the problem is much simpler. But I suggest that the Government of India should persuade the Indian princes and do all it can to bring about a system whereby an allowance—a literal allowance I must say—is allowed to these princes and chiefs. A stipulation should at the same time be made that once a certain percentage is fixed, the Prince will not be entitled to take more than the amount which is allowed to him.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN** May I ask the Honourable gentleman whether he wants a civil list to be opened for the ruling princes?

**THE HONOURABLE SAYYID RAZA ALI:** I believe, Sir, if my suggestion commends itself to this House, and I hope my Honourable friend the Nawab of Hoti will lend me the support and weight of his authority, this proposition is quite capable of finding acceptance at the hands of others. Yes, Sir, it will be something like a civil list, with this difference that whereas in the case of a civil list it is always open to the authority that sanctions the civil list to grant an additional amount, in this case it will be open to that authority in consultation with which the amount is fixed, to increase the amount if a proper and suitable case is made out.

Sir, I support the Bill.

**THE HONOURABLE SIR HARRY HAIG (Home Member):** Sir, I have listened to the debate with great interest. As I listened, I formed the opinion that in general there was a recognition in this House that a Bill of this kind was required. There were, it seemed to me, very few Honourable Members in support of the view which I understood to be taken by my Honourable

[Sir Harry Haig.]

friend opposite, Mr. Hossain Imam, that there was no reason why we should attempt to interfere with the formation of *jathas*, with the attempt to bring to bear on Indian States that non-violent force of which he appears to be an admirer but I hope not a practiser, that we should do nothing to prevent the development of conspiracies against Indian States from within British India or the promotion of seditious agitation. I do not think, Sir, that was a view that commanded much support in this House. But I have felt, as I listened to the debate, that a number of Honourable Members were somewhat doubtful about one point or another in this Bill, and I hope to be able to deal with at any rate some of the criticisms and doubts that have been given expression to by Honourable Members, who on the whole have shown a disposition to accept the Bill.

Now, Sir, before I go on to any substantial points, perhaps I should deal with one point which I regard as unsubstantial. When there is a paucity of substantial points I do not complain about my Honourable friends opposite if they devote themselves to unsubstantial points. I do not complain, but I merely note the fact. Well, Sir, this particular point is that it has been suggested that the princes have not demanded this Bill. I have made that point clear—at least I hope I made that point clear several times in the course of debates in another place. I have stated that though the princes have not made any formal demand, it is perfectly clear to us that the princes want this measure, and indeed, that it is very evidently in their interests that they should have it. Consequently, I am a little surprised when I see this in a telegram from a local correspondent of a newspaper :

“ Sir Harry Haig has not answered the straight question whether Indian princes wanted the States Protection Bill ”.

My answer is, “ Yes ”. I hope that will dispose of that particular point.

There has been a feeling, which has been given expression to by more than one Honourable Member that there are legitimate grievances of the States' subjects in certain States and that it is not reasonable that we should take steps which make it impossible for those grievances to be ventilated in British India, that we should do nothing that will prevent fair criticism in British India of conditions in Indian States. Sir, I agree with that point of view. I accept that point of view. Our contention is that there is nothing in this Bill which interferes with fair criticism or the ventilation of legitimate grievances. Now my Honourable friend Sir Mahomed Akbar Khan, for instance, appeared to be under the impression that we were putting on the British Indian press, in regard to conditions in Indian States, restrictions which we do not apply to the British Indian press in regard to British Indian matters. That, as my Honourable colleague the Law Member has explained, is a misapprehension. It is perhaps not unnatural that there should be some misapprehension as to the exact scope of the provisions of this Bill, because the drafting is a little complicated. We are in clause 3 amending a Bill known as the Indian Press (Emergency Powers) Act, which itself had been extensively amended in 1932 by what we call our Ordinance legislation, and it is sometimes a little difficult to follow the exact provisions. But I would like the House to remember that in regard to preserving the right of fair criticism there is in this Indian Press Emergency Powers Act as amended special provision that comments expressing disapprobation of the measures of the Government with a view to obtain their alteration by lawful means without exciting or attempting to excite hatred contempt or disaffection shall not be deemed to come within the provisions of the Act, and that comments expressing disapprobation of the administrative

or other action of the Government without exciting, and so on, also do not come within the provisions of the Act. Now, Sir, a good deal of attention has been directed to Explanation 5, which has been added by this Bill, and there has been I think a tendency to suppose that the only safeguard we are giving to the press was that Explanation 5. But I would like the House to remember that Explanations 2 and 3, which I have just read out, are in existence and apply to comments on affairs in Indian States and that we brought in this additional safeguard, Explanation 5, in view of certain criticisms which had been made to the effect that apart from comments certain statements of fact might come within the provisions of the Bill, and we wanted to safeguard the persons not only who commented but who stated facts. I hope therefore the House will remember when it is suggested that it is impossible to ventilate grievances in the States or to make any fair comment or criticism on what goes on in the States, that the powers over the press will be if anything slightly less severe than they are at the present moment over the British Indian press, and my experience—I do not know what the experience of Honourable Members of this House is—but my experience is that in British India there is very little difficulty about indulging in fair comment on the actions of the Government, in ventilating their grievances and in attacking the Government in a thoroughgoing way. Now, Sir, it has also been suggested that while we are giving protection to the administration of the States, no protection is given to the subjects of the States. Well, Sir, I think in most cases the subjects of States do not stand in need of any direct protection. But there is, I would remind the House, in the last resort the Government of India who do admit their responsibility for maintaining reasonable standards of administration in the Indian States, and that is a responsibility which from time to time, as the House knows, they have not hesitated to exercise. My Honourable friend Mr. Kalikar remarked that we should not treat political institutions as if they were archaeological specimens. Sir, here again I entirely agree with my Honourable friend. My view is that political institutions if they are to live must continually adjust themselves to changing conditions, they must be continually developing, and the last thing we want to do is to stereotype some archaeological specimen. The Bill, Sir, I wish to make it quite clear to the House, is not aimed at stopping natural and reasonable development in the States but at stopping the destruction of the system of rule in the States. It is aimed at definitely subversive activities. It may be that certain people think that changes ought to be made. It may be that in a few cases there may be serious abuses. Our line is that we cannot have people in British India taking these matters into their own hands and trying to force changes on the States by conspiracy, by revolution or by seditious agitation. That is the principle of this Bill and I feel sure that the House will give us support in bringing into effect those provisions.

Now, Sir, there is only one other point that I might mention. There seemed to be at one stage of the debate a little misunderstanding as to the application of these provisions. The provisions apply of course to activities in British India and not in the States, but activities in British India which are directed against the States. And that brings me on to an important point which is that while we are promoting this Bill in order to maintain the stability of the administration of the States, we are also promoting it in order to maintain the stability of the administration in British India. For experience has shown us very clearly that when a serious agitation develops in British India directed against an Indian State there are grave dangers of the peace of British India being seriously affected. I hope the House will remember that, while it is primarily in the interests of the administrations of the States, it is also very definitely in the interests of the peace of British India.

**THE HONOURABLE THE PRESIDENT :** The Question is :

"That the Bill to protect the administrations of States in India which are under the suzerainty of His Majesty from activities which tend to subvert, or to excite disaffection towards, or to obstruct such administrations, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

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**ELECTION OF ONE NON-OFFICIAL MUSLIM MEMBER TO THE  
STANDING COMMITTEE ON PILGRIMAGE TO THE HEJAZ.**

**THE HONOURABLE THE PRESIDENT :** We shall proceed with the next stage of the Bill to-morrow, but before I adjourn the House, I have to announce that the Honourable Sirdar Saheb Sir Suleman Cassim Haji Mitha has been nominated for election to the Standing Committee on Pilgrimage to the Hejaz in the vacancy caused by the resignation of his seat on the Committee by the Honourable Mr. Hossain Imam. I therefore declare him to be duly elected to that Committee.

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**NOMINATIONS FOR THE ELECTION OF SIX NON-OFFICIAL  
MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR  
RAILWAYS.**

**THE HONOURABLE THE PRESIDENT :** I have to announce that the following Honourable Members have been nominated for election to the Central Advisory Council for Railways :

1. The Honourable Diwan Bahadur G. Narayanaswami Chetti.
2. The Honourable Sir Homi Mehta.
3. The Honourable Khan Bahadur Syed Abdul Hafeez.
4. The Honourable Sardar Buta Singh.
5. The Honourable Mr. Mahmood Suhrawardy.
6. The Honourable Mr. Ali Buksh Mohamed Hussain.
7. The Honourable Rai Bahadur Lala Ram Saran Das.
8. The Honourable Raja Charanjit Singh.
9. The Honourable Mr. Satyendra Chandra Ghosh Maulik.

There are nine candidates for six seats. In these circumstances I direct that the election be held according to the principle of proportionate representation by means of the single transferable vote.

The election will be held on Thursday, the 19th April, or if there is no meeting on that day on the next following day on which the Council meets.

The Council will now adjourn.

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The Council then adjourned till Eleven of the Clock on Tuesday, the 17th April, 1934.

## COUNCIL OF STATE.

*Tuesday, 17th April, 1934.*

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The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

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### MEMBER SWORN :

The Honourable Diwan Bahadur Sir K. Ramunni Menon, Kt. (Madras : Nominated Non-Official).

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### QUESTIONS AND ANSWERS.

#### CONDITION OF THE SUGAR CULTIVATION AND SUGAR INDUSTRY IN THE AREA AFFECTED BY THE EARTHQUAKE IN BIHAR.

131. THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA : Will Government be pleased to state :

(a) When the report of the condition of the sugar cultivation and sugar industry in the area affected by the earthquake in Bihar will be available to the public ?

(b) How far has the investigation proceeded ?

(c) Has the Chief Commissioner for Railways made any recommendations regarding the railway freights on sugar ? If so, what are they and when does Government propose to take action on them ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :  
(a) and (b). I regret I have no information other than that contained in the communiques issued by the Government of Bihar and Orissa, which the Honourable Member has doubtless seen already. I am arranging to have placed in the Library of the House copies of communiques issued on the 9th and 21st March and the 4th April which contain *inter alia* an account of the arrangements made by the Local Government to help cultivators to dispose of their sugarcane.

(c) The visit of the Chief Commissioner of Railways was in connection with the supply of wagons for the carriage of cane. Railways have already quoted special rates for the carriage of cane from the distressed areas to certain mills outside those areas on a basis which approximates to the average cost of haulage. As regards freight on sugar, appreciable reduction has been made during the last twelve months in the rates from stations on the Bengal and North-Western Railway to stations on other railways and Government are not aware that any further reductions are at present called for.



**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** With regard to part (c), may I ask the Government whether it is aware that the factories are prepared to take cane from Bihar but on account of the difficulties of wagons they are not able to take cane from that area, and will the Government be pleased to make special arrangements for the wagons to help them ?

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** It would have been much better, Sir, if the Honourable Member had been good enough to state the names of the mills who wanted cane from the areas for which he wanted facilities to be provided.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, my own factory, the United Provinces Co-operative Sugar Factory, Limited, wants cane from that area. We sent out Chief Engineer to that part as well as to the Cane Controller, Bengal and North-Western Railway, but the Cane Controller could not hold out any hopes of giving wagons and therefore it was hopeless to settle about the cane from the Cane Board in Muzaffarpur. He went there and found that the cane was in abundance and everybody wanted—

**THE HONOURABLE THE PRESIDENT :** I hope the Honourable Member is not going to make a speech ?

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** Is that the only instance ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Mr. Hari Raj Swarup is also willing to buy.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** I think it would be much better if the Honourable Members limited themselves to things within their own knowledge, as undoubtedly the Honourable Mr. Mehrotra's own factory was within his. As to the factories of their friends, I think it would be best if the Honourable Members were to leave them out of account.

**THE HONOURABLE MR. HOSSAIN IMAM :** We have authority from Mr. Hari Raj Swarup to say that he is willing and probably he has approached the Chief Commissioner for Railways too.

#### PUBLICATION OF THE PROCEEDINGS OF THE CONFERENCE OF PROVINCIAL MINISTERS.

**132. THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA :** Will Government be pleased to state whether the proceedings or the results of the Conference of Provincial Ministers for an economic recovery will be published ? If so, when ?

**THE HONOURABLE SIR ALAN PARSONS :** An announcement will be made on the subject at a very early date.

**BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE  
TABLE.**

**SECRETARY OF THE COUNCIL :** Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, which was passed by the Legislative Assembly at its meeting held on the 16th April, 1934.

**INDIAN STATES (PROTECTION) BILL—continued.**

**THE HONOURABLE THE PRESIDENT :** We will now proceed with the consideration of the clauses of the Bill.

**The Question is :**

“ That clause 2 stand part of the Bill. ”

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I wish to oppose this clause. The reason for my opposition is, as I said yesterday, that the element which constitutes the justification for section 124 and the like sections of the Indian Penal Code is not to be found in section 2 of this Act. The reason for section 124 is that there the offence is committed against an authority which is the suzerain power and the people who are liable to prosecution are those who owe allegiance to that authority and that is the justification for that provision. Here we do not owe any allegiance to the Indian princes. Therefore, there is no crime committed of the same nature as that contemplated by section 124, but the punishment provided in section 124 has been provided under this clause. Even if this provision had to be made, the same punishment ought not to have been fixed. In section 124 the authorities against whom the offence is committed for which a prosecution can be had are explicitly stated. The wording is :

“ Whoever with the intention of inducing or compelling the Governor General of India, or the Governor of any Presidency, or a Lieutenant-Governor, or a Member of the Council of the Governor General of India, or of the Council of any Presidency, to exercise or refrain from exercising in any manner any of the lawful powers of such Governor General, Governor, Lieutenant-Governor or Member of Council, assaults or does, etc.”

The people against whom this section can be applied are very few and they stand on a very high pedestal. Here, all and sundry are included in the category and offences committed against even the village chowkidar will have the same punishment as offences against the Governor General. That is obnoxious to the sense of legal propriety. The criminal force which is penalized under section 124 is of a different type to that contemplated in clause 2 of this Bill. The words in section 124 are :

“ assaults or wrongfully restraints, or attempts wrongfully to restrain, or overawes by means of criminal force, etc.”

whereas in clause 2 of this Bill we have only the words

“ conspires to overawe ”.

There is a radical difference between a conspiracy to overawe and actual action. Section 124 contemplates an actual overt act, while here we are penalizing only a fear of an overawe. These are the two items which rather force me to oppose this clause.

I do not wish to take up any further time of the House, Sir.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces Central: Non-Muhammadan): Sir, I am in agreement with my Honourable colleague, Mr. Hossain Imam, in opposing this clause. So far as the spirit of the clause is concerned, it is already existing in section 121A of the Penal Code. I do not see any reason why this clause has been included in this Bill when a similar and more stringent section is already existing in the Indian Penal Code. It may be said that this section has been brought in specially for the protection of the princes. May I ask from the Government whether they are going to have another section for meeting cases of conspiracies against our allies, Afghanistan, Nepal and others? If they can meet conspiracies against our other allies under the existing section, there is no reason why Government could not meet similar cases against the princes. I am of the opinion that such conspiracies should be nipped in the bud whether they are against the princes or our other allies, but my quarrel is about providing this clause in this Bill when there is another section already existing in the Indian Penal Code. There is another difficulty. In the Indian Penal Code you have got cut and dried definitions for every word. Here you have not given definitions of technical words, and it will be for the lawyers and the courts to give meanings to these words, and to stretch them in any way they like. The definitions of the Indian Penal Code will not be applicable to this Act. For instance, the words "conspires to overawe". I think it will not be easy for any one to give a correct definition of the word "conspires". There may be different meanings given by different lawyers. In the same way, it is not said whether "administration" means acts done by the princes or the ministers or the executive councillors if any, or the legislative councils, if any. There are so many things which can be covered by this word. It was therefore proper to give correct definitions of all technical words. I would therefore request the Government if their purpose is being served by section 121A of the Indian Penal Code, to be pleased to withdraw this clause from the Bill.

**THE HONOURABLE SIR BROJENDRA MITTER** (Law Member): Sir, the Honourable Members who have just spoken are under a complete misapprehension as to the meaning and scope of this clause. The Honourable Mr. Hossain Imam said that there was section 124 of the Indian Penal Code that ought to be enough. Sir, section 124 is not the analogous section to clause 2 of this Bill. Section 124 is a section which deals with assaulting the Governor General and other persons with intent to compel or restrain the exercise of any lawful powers. Clause 2 of the Bill corresponds to section 121A, that is, conspiracy to commit offences punishable under section 121.

**THE HONOURABLE MR. HOSSAIN IMAM**: Will the Honourable Member read section 121?

**THE HONOURABLE SIR BROJENDRA MITTER**: Wait. Section 121A is the corresponding section in the Indian Penal Code. Section 121A says:

"Whoever \* \* \* conspires to overawe, by means of criminal force or the show of criminal force, the Government of India or any Local Government, shall be punished, etc."

Under section 121A, the offence is conspiracy to overawe by criminal force or show of criminal force Governments in British India, either the Government of India or a Local Government. Clause 2 is the corresponding section which deals with conspiracy to overawe, not any British Indian Government, but the Administration of any State, that is, the Government of any State. Section 124 has nothing to do with it.

Then it has been said that 121A is enough. The last speaker said 121A was enough and it was more stringent. But it is not enough, because section 121A is limited to offences against Governments in British India. That section does not cover offences against the Governments of the States ; clause 2 deals with offences against the Governments of Indian States.

Then, Sir, the Honourable Member who spoke last said, "Are you going to have similar sections as regards foreign powers?" We have got similar sections as regards foreign powers. If the Honourable Member would look to sections 125 and 126 of the Indian Penal Code he will find that they deal with offences against Asiatic powers in alliance with the Queen. He mentioned Afghanistan. As regards Afghanistan, Nepal or Persia or China or Siam, which are adjoining foreign countries, section 125 says :

"Whoever wages war against the Government of any Asiatic power in alliance or at peace with the Queen or attempts to wage such war or abets the waging of such war, shall be punished".

Section 126 says :

"Whoever commits depredation or makes preparations to commit depredation on the territories of any power in alliance or at peace with the Queen, shall be punished".

The Indian Penal Code has provided for offences against friendly neighbouring powers, but the Indian Penal Code does not contain any provision for the protection of the States in India and the present measure is a measure designed to protect States in India. It does not deal with British India. It does not deal with foreign powers. It deals with States under the suzerainty of His Majesty the King.

Then, Sir, the next point which was made by the last speaker was that the definitions of the Indian Penal Code did not apply to the present measure, and therefore the Bill was vague. I submit it is not vague at all. First of all, if there be technical words, in criminal law technical words have got a meaning. You need not go to the Penal Code for the meaning of everything. When you find a word requires definition, you turn to the General Clauses Act. The General Clauses Act defines various technical words. Supposing the General Clauses Act is silent with regard to any particular expression, then the ordinary dictionary meaning will apply. For instance, take the word "administration". Administration is not a term of art ; it is not a technical word ; it is an ordinary English word for which you have to turn to the Oxford Dictionary for its meaning, and you will find the meaning to be the same as "government". The administration of a State means the government of the State. There is no difficulty about it. With regard to the expressions used in this Bill I say that first of all you turn to the General Clauses Act. If you find a definition there that definition will apply. If you do not find any definition in the General Clauses Act, turn to any book on criminal law to see in what sense that particular expression is understood in criminal law. There are many well known text books on criminal law and you will find meanings and connotations there. Supposing the text books are silent, then turn to the ordinary dictionary for its meaning and you will find the meaning there. For instance, the word "administration" ; you will not find it defined in the General Clauses Act or in Russell on Crimes or any other recognized text book on criminal law. You should next turn to a recognized dictionary and there you will find that "administration" means government. Therefore there is no ambiguity or difficulty about it. We are using words well known in criminal law and any one either dispensing justice or practising in criminal courts would know in what connotation such words are used.

[Sir Brojendra Mitter.]

I think these are all the points which have been made and I submit that the criticisms are not valid.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT : The Question is :

“ That clause 3 stand part of the Bill.”

The Honourable Rai Bahadur Lala Jagdish Prasad has an amendment to this section but I am afraid I cannot allow that amendment to be moved. It is in consonance with my previous rulings and also the rulings established by my predecessors on this point. His amendment has merely the effect of a negative vote and under Standing Order 32, clause (2), it is not admissible. However, the Honourable Member will be allowed to speak on this clause without moving his amendment and he is at liberty to vote against it when I put the clause to the House.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : On a point of order, Sir. May I know why such amendments which have a negative force are being allowed in the other House and in Provincial Councils ? May I know on what grounds they are allowed there ?

THE HONOURABLE THE PRESIDENT : Discretion entirely rests with the President under Standing Order 32 of this Council, to which I refer the Honourable Member. Moreover the Honourable Member must remember that I am presiding here and I have nothing to do with any other House.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Sir, in that case I beg to oppose this clause standing part of the Bill. In opposing this clause I am encouraged a good deal by the almost unanimous opposition which this clause met at the hands of non-official Members of the House who spoke on the Bill yesterday. Whatever divergent views might have been expressed on other clauses of the Bill, this clause found little support in the House as a whole. The Home Secretary in his speech in moving the consideration of the Bill yesterday, anticipating discussion on my amendment as it stood on the Order Paper, dwelt considerably on this clause, and the Honourable the Home Member in his reply to the debate also spoke at length on the provisions of this section. Both of them argued that there was no danger to the press if it indulged in honest criticism of the actions of the Indian States. But, Sir, it is my misfortune that I do not happen to see eye to eye with them so far as the possibilities of the operation of this clause in actual practice are concerned. It is the general belief which I myself share that if this clause stands part of the Bill it will be a very risky affair for any journal in British India to give publicity to acts of autocratic high-handedness perpetrated in any Indian State, and knowing as we do that the States generally, barring a few honourable exceptions, treat their subjects as if they were no better than so many cattle, the only remedy which the people belonging to Indian States have against the oppressions of the ruler of a State will be taken away from them. It is a well known fact that the Indian princes generally do not afford scope for independent newspapers in their States, and it is only the pressure of enlightened public opinion ventilated in the press in British India that is one of the most potent forces making for an improvement in the administration of the more backward States, and if the salutary check which the fear of

publicity in the press exercises on the States is removed by the fresh disability sought to be imposed on the press in British India by this clause, then I fear that the cause of good government will not only be not promoted but misrule will thrive in the States. Sir, it is not only non-official public opinion which strongly holds this view, but some of the officials also whose opinions on the Bill the Government of India invited share this suspicion and have frankly opposed this clause. A reference to this fact was made by some Honourable Members yesterday, but with your permission, Sir, I will just quote on this occasion the views of some of the officials of Government to corroborate my point. The District and Session Judge of Raipur opines :

“ It is not possible to avoid facing the fact that there is much maladministration in many of the States, for remedying which there is very little means within the States, available to the masses. Further, as has been pointed out, the very publication of certain facts would in itself tend to bring the administration of a State into hatred or contempt, or at least to excite disaffection towards it, although the object of publication is a worthy one. The wording of clause 4 would be appropriate to British India, where the administration is admittedly good, but—

THE HONOURABLE MR. M. G. HALLETT (Home Secretary) : Might I ask the Honourable Member whether that criticism which he is reading out has not been met entirely by the Explanation which was inserted in the Bill when it was under discussion in the Assembly ?

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : I will come to that point, Sir, later on.

—“ but the circumstances in many States are so different, that the scope of the clause is automatically widened. In my opinion it would be very difficult for honest criticism in many instances to escape the liability of section 4, Indian Press (Emergency Powers) Act, as proposed to be amended. I consider it necessary in making the Act apply in respect of Indian States, to modify the amendment so as to include the ingredient of intention ”.

I will come to this ingredient of intention later on in the course of my speech. Then, Sir, the Commissioner of the Tirhut Division, opposing this clause, says :

“ Regarding paragraph 4, and the proposed amendment of the Press Act, I am opposed to the amendment. The arguments used by Sir Cowasji Jehangir are cogent and well founded. It is perfectly true that a mere dispassionate mention of some things still done in Indian States would raise very profound feeling, and it would be very difficult to say whether this did, or did not, amount to hatred, contempt, and disaffection. I do not consider the Indian States can or should be put on a par with British India. Their administration in the majority of cases lags far behind ours. Nor can they be put on a par with Asiatic allies of the King-Emperor, for the well-being of whose subjects we have in no way made ourselves responsible, and for the protection of whose rulers from the results of maladministration we are in no way bound to interfere ”.

The District Magistrate of Belgaum opposing this clause says :

“ I see nothing objectionable in the provisions of the Bill except clause 4. I fear that if this clause is passed legitimate criticism of misdoings in an Indian State will be discouraged. Even in the case of British India, the Indian Press (Emergency Powers) Act was passed as a measure of emergency and I do not see why its provisions should be extended to protect State administrations which in many cases are not above criticism and are able within their own boundaries to stifle comments on themselves. It would be in the interest of the population of such States if free scope was given at least to the outside press to criticise their maladministration wherever such exists ”.

The District Magistrate of Larkana thinks that this clause is open to the objection that it will prevent the ventilation of genuine grievances and the criticism of real misgovernment. Then, Sir, two Deputy Commissioners in the

[Rai Bahadur Lala Jagdish Prasad.]

Punjab are said to have criticized this clause on the ground that if the subjects of an Indian State are prevented from airing their grievances, which may well be legitimate, in the press in British India, they have in practice no place where these grievances can be aired.

Sir, all these official views go to support my opposition to this clause and to confirm the general impression that the clause will virtually gag the press in British India and will not be in the best interests of the country. But if the Government of India think that my suspicion in this behalf is unfounded, I have at least the satisfaction to think that if I err at all I do so in good company—in the company of Government's own agency. But the Government brushes aside even the official views in this case with the remark, as is reported to have been made by the Honourable the Home Member in another place, that although Government always attaches importance to the opinion of district magistrates, it has not surrendered its judgment to them and that in this case these opinions have been rejected. This statement of the Honourable the Home Member only shows that the Government accept the opinions of their officials only when such opinions are in favour of the Government's view point, but disregard them if such views ever happen to accord with Indian public opinion. If this is the case, Sir, then I am afraid no amount of reasoning or argument will be able to convince the Government once they are determined to do a certain thing.

Now, I come to the point which my Honourable friend the Home Secretary just raised, namely, that since the official views were received an important Explanation has been added to the clause in the Select Committee which mitigates the rigours of the original provision. Sir, I recognise that the ingredient of malicious intention has been provided in the Explanation, but I think that it does not go to help very much, as the burden of proving want of malicious intention will on the one hand fall on the offending press and on the other hand the person to judge of this ingredient will be an executive and not a judicial officer. Because, Sir, one great point of difference is that the present Bill proposes to substitute for the judicial trial now provided an executive trial, otherwise the offence sought to be penalized in this clause is not a new offence but is already covered by the provisions of the existing law and is punishable for five years. Besides this, Sir, the all-pervading section 144 of the Criminal Procedure Code is there which covers within its purview almost anything and everything. I do not therefore see any necessity for enacting this clause. It is feared, Sir, that with the existence of the proposed clause in the Bill mere statements of facts of certain States if related in the press accurately, even faithfully with a desire not to create hatred or contempt but with a desire to draw the attention of the Administration to these facts in order to get a remedy will come within the mischief of this clause. I cannot therefore see my way to support this clause and hope that the House will think twice before lending its support to it.

Sir, I oppose this clause.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General) : Sir, it was said yesterday on behalf of the Government that the rigour of this clause has been toned down by the addition of Explanation 5 and the two Explanations that already exist in the Act of 1932. This clause lays down a certain principle which at least I have not been able to follow and that is, Sir, that, if I, as a subject of the Crown, bring into hatred

or contempt or excite disaffection against the ruler or against the administration of a State, how can I be held responsible for that offence, because, as far as I understand the criminal law and the common law of England, the liability on me comes in because I owe allegiance to the Crown. I do not owe allegiance to the ruler or the administration of the Indian State. So I have not been able to follow, Sir, how I can be brought within the clutches of this clause and be punished because, though I do not owe any allegiance to the ruler still I will be punished under this clause.

Then, Sir, in the Explanation it has been stated that :

“ Statements of fact made without malicious intention and without attempting to excite hatred, contempt or disaffection shall not be deemed to be of the nature described in clause (j) of this sub-section ”.

And the other two Explanations, Explanation 2 of the Act of 1932 says :

“ Comments expressing disapprobation of the measures of the Government with a view to obtain their alteration by lawful means without exciting or attempting to excite hatred, contempt or disaffection shall not be deemed to be of the nature described in clause (d) of this sub-section ”.

And a similar Explanation follows section 3.

My submission is if, for instance, I make a statement of fact that a particular ruler has committed a murder, or has abducted somebody's wife, or done all sorts of tortures, they are all statements of fact without any malicious intention on my part and are likely to create disaffection or hatred or contempt against the administration of the ruler, so I fail to understand how this Explanation 5 and the other two Explanations 2 and 3 of the Criminal Law Amendment Act of 1932 can allow legitimate criticism of the action of the State, or of the ruler of the State.

Then, Sir, a third difficulty has been referred to by Lala Jagdish Prasad about the burden of proof. In ordinary criminal trials, as far as I understand, the burden of proof lies on the prosecution.

THE HONOURABLE SIR DAVID DEVADOSS : Except in certain cases.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : I say in general terms. Here the procedure of a trial court is barred and the discretion is left with the Local Government. So the press proprietors or editors of newspapers have no means of establishing their case before the Local Government and moreover no question of burden of proof comes in because the Local Government in its own discretion, on the reports of its own agents will pass orders against the press and those orders will only be discussed when the pressmen or the proprietor goes to the High Court. Then the difficulty is that the press proprietor is deprived of the means of proving his own case, while if the ordinary procedure had been resorted to the pressman would have had ample opportunity of establishing his own case in a court of law and would have had ample opportunity to prove his innocence.

Then another difficulty which occurs to me is this, that is, the discretion of the Local Government in this matter. As far as I know now, the administrations of these Indian States have been transferred to the Government of India. If anybody can know about the administration of these Indian princes, the Government of India is in a position to know it, because they have got the Political Department at their beck and call and they can get information. But how can Local Governments get information about the good administration or



[Mr. Vinayak Vithal Kalikar.]

maladministration of an Indian State? So, Sir, from all points of view it appears to me that this clause has not been well drafted or, if it has been drafted after careful consideration by the legal luminaries of the Government of India, then I say it has been drafted simply to curtail the liberties of the press and these Explanations are merely eye-wash. I would therefore like to oppose this clause.

THE HONOURABLE SIR BROJENDRA MITTER: There is some misconception about the meaning of the clause and I think it will shorten the debate if I were to explain what it means. The Honourable Rai Bahadur Lala Jagdish Prasad complained that intention was not mentioned here. One of his criticisms was that the element of intention ought to be there. I want to tell the Council that the element of intention is always present in the offence of sedition. Intention is essential to the offence of sedition. Sir, I need only refer the House to a passage in the well-known Tilak case. There the learned Judge says:

"The essence of the crime of sedition consists in the intention with which the language is used. But this intention must be judged primarily by the language itself. The intention for this purpose is really no more than the meaning. When a man is charged in respect of anything he has written or said, the meaning of what he said or wrote must be taken to be his meaning and that meaning is what his language would be understood to mean by the people to whom it is addressed".

Therefore, when we are dealing with the offence of sedition, the element of intention is always present. It is not necessary to mention it expressly in the section.

Then, the Honourable Mr. Kalikar said, "How can a British subject entertain feelings of disaffection towards a ruler?" That is a perfectly valid criticism, but that is not the meaning of the clause. Disaffection means in popular language disloyalty. You can be disloyal to a man to whom you owe allegiance. You cannot be disloyal to a man to whom you do not owe allegiance. Therefore, in this clause, when we are talking of disaffection towards a State, it must mean disaffection in the minds of the State subjects and not disaffection in the minds of British Indian subjects. If Honourable Members will look at the section in the Indian Press (Emergency Powers) Act, 1931, as amended in 1932, they will find that clause (j) which is sought to be added corresponds to clause (d) which already exists. Clause (d) runs thus:

"Whoever prints or publishes any newspaper, book or other document containing any words, signs or visible representations which tend directly or indirectly—

\* \* \* \* \*

"(d) to bring into hatred or contempt His Majesty or the Government established by law in British India or the administration of justice in British India",

and so on.

Clause (d) under the existing law provides for disaffection against His Majesty and the Governments in British India. All that clause (j) does is to provide for disaffection against administrations of Indian States. It does nothing more than that. The protection which the British Indian Governments in India, either the Government of India or any Local Government, enjoy at the present moment—that protection and nothing more than that—is being extended to the administrations of States. So, clause (j) corresponds to (d). Clause (d) applies to British India, clause (j) will apply to the States. That i

all. The position is not only not worse, but a little better than in the case of British India. In the case of British India, we have some Explanations. The relevant Explanations are 2 and 3. Explanation 2 deals with comments expressing disapprobation of the measures of the Government and Explanation 3 deals with comments expressing disapprobation of the administrative action of the Government. These two Explanations will be available to the press when they are dealing with Indian States, and in addition to that, there is another Explanation in the Bill, Explanation 5, which deals with statement of facts. Therefore, the press would be, if anything, in a slightly better position *vis-a-vis* the Indian States than it is *vis-a-vis* British India. There cannot be any possible ground of grievance on that score.

Then, the Honourable Mr. Kalikar said, "Suppose a statement of fact like that a ruler committed a murder, or a ruler abducted a woman, be published, what will happen?" That does not come within the purview of this Bill at all. This Bill protects administrations; it does not protect the ruler. That is the mistake, if I may say so, without offence, which the Honourable Mr. Kalikar made. When the press says anything about a ruler, no action can be taken under this measure.

The next point which he raised was about the burden of proof. He said rightly that in every prosecution the burden of proof was upon the prosecution, but he forgets that although it is the duty of the prosecution to prove that an offence has been committed, if the accused seeks to take advantage of an exception, then the burden under the ordinary law is upon him being the party which sets up the exception. The prosecution has to prove that a certain offence has been committed. If the accused says, "Well, ordinarily, it would be an offence, but I come under an exception; I want to be protected by the exception", then under the ordinary law, the burden of proof is upon him who seeks shelter under the exception. Sir, there is nothing unusual here. Here, the prosecution will have to prove that a seditious article against the administration of a State has been published. But if the newspaper seeks to take itself out of the purview of that section, it will have to prove that it did it *bona fide*, whether it was a statement of fact, or mere comment. It will be for the press to prove the *bona fides*. Under the ordinary law it would be so. There is nothing extraordinary here. Further, power has been given to the High Court to revise an executive order. If there be any legitimate grievance, you can go to the High Court. Onus of proof will be considered there. Sir, there is a general misconception as regards the meaning of the expression "onus of proof". That expression is used in two senses. One meaning is the burden to lead evidence. If no evidence is adduced, who will lose? The party which will lose if no evidence is adduced has the burden of proof upon it. The prosecution has to prove certain things. But if the prosecution adduces no evidence, there cannot be any conviction. Therefore, the burden of proof is upon the prosecution. The second meaning of burden of proof, which is the real meaning, is this. Whoever starts the evidence certain materials are placed before the tribunal, be that tribunal executive or judicial. I am not dealing with that at the moment. A certain amount of material is placed before the tribunal. Then the tribunal has to weigh which side's story is to be accepted. Now, that is the second connotation of burden of proof. One set of facts may dispose of another set of facts. There is a constant shifting of the burden. Then ultimately, if certain matters remain unexplained, the party whose duty it was to explain has failed to discharge the onus. Onus or burden of proof has thus got two meanings, the first and primary meaning is leading evidence in the first instance, and the second refers to weighing the

[Sir Brojendra Mitter.]

whole evidence. Now, in this case, when an aggrieved press goes before the High Court, no question of leading evidence arises because the High Court takes into consideration all the materials before it. On weighing the whole material the High Court will decide whether the executive has established its case or whether the accused has established that it is protected by one of the Explanations. There is no practical difficulty when the matter goes before the High Court. All the material will be there and the High Court will see whether an Explanation applies to the particular case or not, or whether the executive has made out a case for taking action.

The last point which the Honourable Mr. Kalikar made was, "How can the Local Government know what is going on in a State?"

12 NOON. Sir, it is the business of the Local Government to know it. These things happen on the borders in the adjoining districts and no magistrate of a district adjoining a State would be fit to hold his position unless he knew what was going on in his own district and what was going on across the border. Therefore, a Local Government through the magistrate would be in a much better position to know the actual conditions of things than the Government of India hundreds of miles away. Although the princes are under the Government of India, knowledge of local conditions is available to the district magistrate much more readily than to the Secretariat at Simla or Delhi. Sir, Honourable Members should fully appreciate the scope of the clause. It is nothing but extending the protection which we in British India enjoy at the present moment to the administrations of the States; the press will be, if anything, in a slightly better position with regard to the States than it is with regard to British India by reason of the additional Explanation in this measure. I submit that this is a salutary provision and the House ought to accept it.

Sir, before I sit down I want to say one word about the constant reiteration of the statement, "Oh, public opinion is against the Bill". Sir, whoever stands up to speak asserts that he is public opinion. What is public opinion? Is Congress opinion the only opinion in this country? Is not there any other opinion in this country? The Congress press takes one view. But there is also a non-Congress press; there is the European press. There are so many different public opinions in this country, but every time Members opposing a Government measure stand up, they say, "Public opinion is against it". Which public opinion? Congress does not exhaust public opinion in this country. Mr. Gandhi does not exhaust public opinion in this country. There are other opinions also. The Government have to consider the realities of the situation. If the realities of the situation require that a particular protection should be given to friendly Indian States, it is immaterial whether a particular section of public opinion is opposed to it or in favour of it. This House is to consider not what this journal or that journal says, but it has to consider the matter on its merits. If Government make out a case that Indian States need protection against vilification in the reptile press, then this House ought without hesitation to give that protection to the States. If, on the other hand, this House be of opinion that the Indian States do not need protection, then by all means reject the Bill. My submission is this, that we have made out a case that the vilification of the administrations of States has been going on in such a scandalous manner that protection is needed, not only for the peace and tranquillity of the States themselves but for the peace and tranquillity of British India, and I submit that this House should have no hesitation in accepting this clause.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, if I am intervening in the debate it is not to repeat the arguments that have been advanced by my colleagues here but because of one or two novel propositions that have been made by my friend the Law Member. I will take his last point first, that is, "What is public opinion?" We here are not to be guided by the press but have to form our own opinion. Sir, we have come here to represent our constituencies and we have to find out what is their opinion and give vent to it in the House. That is the opinion we express here and I think it must be given its proper value and treated with respect at the hands of Government. Then, Sir, we have placed the opinions of Government officials, the trusted servants of Government who are known as the steel frame of the Government of India. Those officials, not one or two but dozens, collectors, commissioners and judicial officers, have given their opinion against this section and have definitely said that it is not required. In view of the opinion expressed by Government officials themselves if the Government is not prepared to give any weight to the opposition by this section of the House merely considering it to be due to the agitation in the press, then I fail to understand what more proof they require. Sir, these opinions have fortunately been circulated to us. If that had not been done we would have been in the dark as to what Government officials thought about this section. With these opinions in our hands in black and white it does not look nice for the Government to say that public opinion is nothing or that we must not value public opinion on this clause.

**THE HONOURABLE SIR BROJENDRA MITTER :** Sir, I think my Honourable friend has misunderstood me. What I said was that there was not only one public opinion in India. Public opinion is divided. Any section of the public may claim to be the public. There are various opinions and we have to choose between them.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I stand corrected. I think however that whatever is the opinion of even a section of the public if it is supported by officials it ought not to be looked down upon, but ought to have a proper value and receive better consideration at the hands of the Government. Sir, my friend says this is the Congress opinion, but he is mistaken there as it is not the Congress opinion; it is the opinion of Government officials themselves that this section is not required under present circumstances.

Then, Sir, my friend has said that the object of this Bill is not to protect the individual acts of the princes but their administrations. I would like to ask my Honourable friend how many States have got a regular administration in the sense that he means. More than 50 per cent. of rulers are themselves the administration. Their word is law; whatever they say is a *firman* and has the force of law. They do what in other States is done through legislative and executive bodies. So, Sir, how are we free to criticise the actions of princes who are themselves the administration, who are themselves their own legislative or executive councils or whatever may be the constitutional equivalent in other States? Under this Act we shall be deemed to be criticising the administration of the State and not the prince. Had there been any differentiation in this Act between those States which have established popular assemblies and those who have not, it would have been more proper for my friend the Law Member to say so. Sir, I would submit that this clause itself is a misfit here in the Bill. The clause is only an amplification of section 4 of the Indian Press (Emergency Powers) Act, 1931, as amended by the

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Criminal Law Amendment Act, 1932. The object of this clause is to amend that section and it would have been in the fitness of things if the Government had chosen to bring an amending Bill to the Indian Press Act of 1932 and not introduced this amendment in the States Protection Act. Then, Sir, my last objection to this clause is that I quite see the force of the argument of my friend that Explanation 5 has been added and this softens a little the stiffness of the clause ; but as has been pointed out by my friend Mr. Kalikar, even statements of facts can be interpreted in any way. For example, we here occupy the Opposition benches and criticise the acts of the Government. Our object is *bonâ fide*. We want to bring to the notice of the Government the other side of the picture so that when they choose to decide they must not be in the dark and must weigh matters before coming to conclusions. That is our object. This object of ours can be misinterpreted ; it might be said that we are obstructing and we do not want the Government to pull on properly. That can be taken in that light. However simple the criticism might be, it could be put in another garb and that is not very difficult. The Explanation says :

"Statements of fact made without malicious intention and without attempting to excite hatred . . .".

Sir, any simple thing can be treated in that light. The Explanation does certainly improve the section, but it does not solve the problem which we have put before the Government, and therefore, Sir, we are not in a position to support this section.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I shall first commence with dealing with the two points which the Honourable the Law Member has raised. The last point was, "What is public opinion and what should guide us ?" I will present him with the facts to show what is public opinion and what we ought to rely upon. I come from Bihar and Orissa and therefore I shall deal with that province. Here are six opinions of non-official associations which have been given to us in this paper. All of them are unanimous in saying that this is an encroachment on our rights and that it should not form part of the Bill. This is public opinion.

THE HONOURABLE THE PRESIDENT : You do not contend that the Government of India is bound to accept that ?

THE HONOURABLE MR. HOSSAIN IMAM : The Government of India, Sir, is an irresponsible Government which is bound to accept nothing ; it can override us ; but that is no reason why we should be bound by their irresponsible attitude. The Central Provinces, Sir, have sent us three opinions from non-officials. They also are unanimously opposed to this measure. And what is more, the Leader of the Independents, who very rarely if ever finds fault with the Government, he also could not bring himself to support this clause. Then even the nominated Members, who are here on the suffrage of the Treasury benches and whom I must admire for ever representing the views of their constituents, even they could not bring themselves to support this measure. All this is due to the strength of public opinion in the country. Even the Government officials, whose opinions form part of these papers, have gauged public opinion and have said that public opinion is like this. I am quoting from the opinion of the Deputy Commissioner of Nagpur :

"It will be seen that the non-official opinion consulted is frightened that the effect of the Bill will be to stifle *bonâ fide* criticism of the undoubted abuses that disfigure the administration of some Indian States".

This is public opinion. The whole country is unanimously against this measure —

**THE HONOURABLE THE PRESIDENT :** I am afraid the contention of the Honourable the Law Member has not been understood by Honourable Members on this side. All that he pointed out was that you could not call a particular section of opinion as public opinion. There may be half a dozen sections of public opinions. Probably your public opinion is your own constituency's opinion. My public opinion may be the opinions of the papers which I read. Public opinion is different. All that he emphasized is that there may be divergent public opinions. You can not call any particular set of opinion public opinion.

**THE HONOURABLE MR. HOSSAIN IMAM :** We should like to have a criterion on which to judge. How to find out what is the public opinion, if such unanimous opinion cannot be regarded as established opinion. The Honourable the Law Member has not cited one public opinion to say that this measure is acceptable. The Home Member told us that the princes wanted this measure. He did not take us into his confidence. He did not lay any papers to show that they have demanded it ; and up to now neither in the other place nor here, have we been given anything to substantiate that statement, which is nothing but an empty assertion.

**THE HONOURABLE MR. M. G. HALLETT :** Does the Honourable Member imply that the Honourable the Home Member made an incorrect statement ?

**THE HONOURABLE MR. HOSSAIN IMAM :** In the course of his reply yesterday he said that unofficially the States were wanting this sort of protection.

**THE HONOURABLE MR. M. G. HALLETT :** May I ask whether the Honourable Member is implying that the statement is incorrect ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I do not say it is incorrect. He has not substantiated the statement. He has not taken us into his confidence. We ought to have been convinced. Why this hole and corner business ?

Now, Sir, I come to the legal propositions which have been so ably propounded by the Honourable the Law Member. He wanted to convince us that our objection that the onus of proof has been shifted from the prosecution to the defence is not substantiated. He tried to tell us that in criminal prosecutions the onus of proof is judged by the fact who will lose if no evidence is adduced. Here, Sir, on the materials before us we have come to the conclusion that the onus has been heavily shifted towards the defence. What is the position ? The Local Government comes to a decision that a press has done a certain thing and therefore it is punished by forfeiture of security. Now, on that *prima facie* conclusion the Local Government does a certain act. Now the newspaper-wallah has got to appeal to the High Court and prove that the conclusion which the Local Government came to was incorrect. That is proving a negative and we all know how difficult, almost impossible it is to prove a negative. If the Law Member had gone further and dealt with the laws of libel and slander, he would have found that there even truth is no defence.

**THE HONOURABLE SIR DAVID DEVADOSS :** The greater the truth, the greater the slander.

**THE HONOURABLE MR. HOSSAIN IMAM :** The greater the truth, the greater the slander, a High Court Judge remarks. Sir, the slanders will be covered to a great deal by the Bill before us. Therefore, the very facts that I could have said in my defence will enhance my liability. The fact has also been lost sight of that invariably in Press Acts, the High Courts have given dictums which are obnoxious to the executive authorities. I refer particularly to the Madras High Court case in which an Honourable Member of the other House while acting as Chief Justice of the Madras High Court made a famous ruling. That ruling and the ruling of Chief Justice Jenkins are the two things on which we rely more than on the statements of the Treasury benches. Judicial officers have told us that all the laws that you have made and all the safeguards that you have provided are mere eyewash. They do not strengthen the hands of the judiciary. They simply strengthen the hands of the executive and make a plaything of this august body. It is for this reason that we are opposed to this measure.

Then, Sir, there was another element—the fact that in India all the administration has got a legal basis. When I am attacking a person in British India, I know by the rules and regulations whether he comes under the category of the protected administration or not. In the Indian States there is no law. The sweet will of the prince is a law unto itself. And therefore one never knows who forms part of the administration and who does not. Ignorance of law is no defence, but where there exists no law, ignorance is and ought to be a defence and therefore I say, Sir, that we are passing a law to allow unlawful things to be done.

**THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians) :** Sir, the question is whether this section is needed or not. Unfortunately, if I may say so without offending anybody, a number of side issues has been raised. As regards public opinion, I may quote what Bishop Warburton said once in the House of Lords :

“Orthodoxy is my doxy, and heterodoxy is another man's doxy !”

When a certain opinion coincides with ours we say public opinion is on our side, and when it does not, we say there is no public opinion. The question, Sir, is simply this, whether the Government is bound to protect neighbouring Indian States from mischievous activities within our borders. Sir, unnecessarily, if I may say so, those who spoke about this Bill brought in the question of Federation and other things. Federation, or no Federation, it is the duty of our Government to see that mischievous activities are not promoted within our borders to cause trouble in the Indian States. Now, recently, at least within the last few years, a number of newspapers have been indulging in very vile attacks upon princes and their administrations. It is our duty to see that this sort of vilification is not continued and that such vilification is not promoted from inside, and this section is intended to prevent such mischief in British India. The section, Sir, is carefully worded. The Indian Press (Emergency Powers) Act as amended by the Criminal Law Amendment Act should be interpreted in certain ways—I need not read it all. Then it goes on—

“or to bring into hatred or contempt or to excite disaffection towards the Administration established in any State in India”.

The word "administration", as the learned Law Member explained, is a well-known expression. It does not mean a chowkidar or a sub-inspector or anybody. It means the Government of the State. If a paper abuses a chowkidar or even a higher official, that does not mean the administration is attacked. The administration if attacked must be protected and therefore I think, Sir, that the criticism that the word is not defined and may mean anything cannot hold water. In order to make matters clear Explanation 5 has been added. Explanation 5 in my view, Sir, is a sufficient guarantee and safeguard against a misuse of the section. It says :

"Statements of fact made without malicious intention and without attempting to excite hatred, contempt or disaffection".

Here the words are "malicious intention"—it is not merely the intention but it must be malicious intention. If a mere statement of fact is made it cannot be said by anybody that there is a malicious intention behind it but the context may show that there is an intention behind it. We must understand these things as reasonable men and we hope that the Government when it considers whether a certain paper has or has not contravened the provisions of the section, it will act as reasonable men. When we say "Government" we do not mean any unsubstantial body but a body of reasonable men, men with a good deal of common-sense and a sense of responsibility, not only towards themselves but towards administration as a whole. We may take it that they will not act hastily. Therefore, we may assume that the words "malicious intention" go a long way towards mitigating the rigour if any of this section. In this connection, I may quote certain incidents which occurred some time ago. Some years ago it was thought that a young member of the Bar or a practitioner had the ear of the judge and so was getting a lot of work. Some paper wanted to stop this. From day to day it recorded the cases in which this practitioner appeared. Case No. so and so, X appeared for the plaintiff. Case No. so and so, X appeared for the defendant. It gave a long list of cases in which this same junior practitioner appeared before a particular judge. It went on for a short time and its object was achieved. I will give another instance. Many years ago when the right of interpellation was given to the Members of the Legislative Councils a question was asked as to how many relations a particular *sharishtedar* had in his department. The Government could not very well give a satisfactory reply but the paper published a list of his relations and made out within a short time that there were 250 of his relations serving in his department. And I believe the Government took action. So then, Sir, mere statements of facts in order to get relief would achieve their object provided you do not import into it any malicious intention.

Supposing a paper publishes tomorrow a statement that such-and-such a prince went to England. That is a fact. He took with him Rs. 5 crores. That may be a fact. There is no malicious intention. The revenue of the prince is only Rs. 2 crores. That is a fact. Would not the Government see that things are improved? If you confine yourself to facts, I think no paper could be proceeded against. This explanation, therefore, gives plenty of scope to people who want to benefit the subjects of the States by bringing forward facts. Of course, such facts as a man committed adultery. That cannot be right. As I said, the greater the truth, the greater the libel. That is not for improving the administration of the country. If a paper publishes that a prince is guilty of murder, and if it can be proved, and if it is the truth, certainly the Political Department of the Government would take notice of it. Not only this explanation, but there are other safeguards in this Bill.



[ Sir David Devadoss.]

There is an application lying to the High Court. Some Honourable Members said this provides only for revision. I have been reading this carefully and I find that it is an application under this section. When an application under this section is made, the High Court will not confine itself to mere questions of law. In a case of revision, as is well known, the High Court does not go as a rule into questions of fact. It only deals with questions of law unless there has been gross miscarriage of justice in which case the High Court is not prevented from going into questions of fact. So, when an application is made to the High Court, all the facts could be placed before the High Court. Government can be called upon to show why it took a certain kind of action against a certain newspaper. Government will have to place all the cards on the table. Then, the newspaper or the editor will be able to show that the facts are not as represented by the Government. I fail to see how the onus is upon the defendant and not upon the Government. As the Honourable the Law Member has said, the High Court will have to weigh both sides of the question properly. No doubt, the application will have to be made by the person against whom the order has been passed but the moment the High Court takes up the case, they will ask Government, "What have you got to say?" The Government will say, "This man has done these things," and the man will say, "No, I have not." If they are facts, and they are disputed, no doubt the burden of proof will be upon him. A man who makes an assertion is bound to prove it. If a man says that so and so has done such and such a thing, and if the Government choose to deny it—Government will not easily deny it, because it can be easily proved—he will be asked to prove it. Then the High Court will ask the Government to show what malicious intention there is. That is a second safeguard. The third safeguard is that no Court shall take cognizance of any offence punishable under section 2 unless upon complaint under clause 7. The Government will not act hastily or ill-advisedly or without proper care and caution. So, considering that we have got these safeguards, I do not think that this clause is too rigorous or is a clause which is unnecessary. As I said, the only question is whether this is necessary or unnecessary? If the Government have got sufficient materials before it to show that there are a number of papers who have been vilifying and creating trouble in Indian States, then it is the duty of the Government to come forward with a Bill like this. It is not a question of public opinion. Public opinion, as the Honourable the Law Member said, may be this way or that way. Public opinion in one province may be different to public opinion in another province. Government will have to consider no doubt the public opinion. I do not say that Government should ignore all public opinion. No. But if the great mass of opinion is against a certain measure, then Government ought to hesitate before passing that measure. But where in a case like this, public opinion may be divided, Government is entitled—

THE HONOURABLE MR. HOSSAIN IMAM : Is it divided ?

THE HONOURABLE SIR DAVID DEVADOSS : I think so.

THE HONOURABLE MR. HOSSAIN IMAM : What is the proof ?

THE HONOURABLE SIR DAVID DEVADOSS : I am not called upon to prove it. Public opinion is either way. Government opinion also is entitled to weight. It is clear from the speeches made that they have got enough materials. You may trust them. We should not say that all that the Government

does is wrong. That will be a wrong attitude to take. Nor should we implicitly accept everything. I do not say that either. Let us judge between the two. When the Government say that they have got materials about all the trouble that is brewing, and that they know for a fact that trouble has cropped up in so many places—we should accept their statement. Of course even other people know that.

THE HONOURABLE MR. HOSSAIN IMAM : Was it proved ?

THE HONOURABLE SIR DAVID DEVADOSS : They feel that a measure like this ought to be enacted. All the other questions are beside the point. With regard to the onus of proof there is a difference between onus of proof in civil cases and that in criminal cases. In a criminal case, it is the duty of the prosecution to prove without any reasonable doubt that the accused is guilty. If it proves a *prima facie* case and if the accused pleads any of the exceptions, then it is his duty to prove the exception. But I do not see how under this provision the onus is on the defendant. No doubt, if he relies on facts, if he says that they are facts, and if Government denies it, then the High Court will call upon him to prove his facts, because it is denied on the other side. That being so, Sir, I do not see any objection to our passing this clause as it stands. I strongly support the Motion.

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative): Sir, I do not wish to prolong this discussion or to take up much of the time of the Council. A great deal has been said. What I wish to point out is that this legislation is a sequence, and that sequence has not yet been pointed out here. When the British Government took over the Government, they first put down dacoities, then they put down rebellion, then they put down various other kinds of crime, that were general in the country, and now they have come to the last crime which is very general in the country, and that crime is very difficult to detect and almost impossible to punish. And that crime is this, that in India as has been well observed the climate is such that it never permits two or more persons to act together. They will always fight with each other. That is our hereditary right. Wherever five sit together to discuss something each is his own master and is not guided by any other opinion at all. Now, there were dacoits and thugs whom we know got disposed of, but these gentry have been existing and doing their work for a long time and waxing prosperous and never being detected. There is hardly a place in which they are not found and their business it is to see how people can be set by the ears, how a difference of opinion can be created and how best to attach themselves to the person most likely to pay and eventually thus to make a living for themselves. In the villages they get zamindars to fight each other; in the law courts they are known as touts; in other places we know them by different names which are too bad for me to repeat here. Now there is this element working in our country and Government has come to the most difficult part of its job, to deal with these gentry. It is its duty to do so. Unless they deal with this menace successfully Government would never be safe. This gentry—(An Honourable Member: "Do not call them 'gentry', say this crowd!") As I use it I think "gentry" explains itself. Well, these people, what they are doing very successfully now is to attach themselves to various places and when a prince gets his powers, they look at him and say, "He has his powers, has he?" Then they begin and write something wrong about him in a tup'penny ha'penny paper, and if he takes no notice they write something longer, and they go on blackguarding him until he takes up the matter. Then they say to him, "Well, if you pay us Rs. 30,000 this will stop,

[ Mr. G. S. Khaparde. ]

but if you do not it will not stop". That is how these gentry make their living. And these gentry are very difficult to approach and they have friends in high quarters, and so one has to speak with very great care about it, and I speak with that care.

A question raised here today was, "What is public opinion?" I say that after hearing the speeches made here when the Clerk of the Council counts the opinions then the opinion of the majority is public opinion and no other opinion counts at all. That is how I put it. In the case of a judge, there are learned counsel and attorneys and witnesses all of whom give their opinion, but the judge considers all these together and arrives at an opinion and that is the public opinion of the court and there is no other opinion. And here each has his own public opinion, but when we have done speaking and the Clerk of the Table counts up the opinions the result he arrives at is the only public opinion, and Government is quite right to come and seek public opinion here. They sought it elsewhere and they got it, and they have also come here and they will get it; and then it will be laid before the Viceroy and he will read all this and finally whatever he decides, that is the public opinion of the whole of India. So it is a very plain affair of counting of opinions and the opinion of the majority is public opinion. It is a simple proposition.

The next point which is of greater importance from my point of view is with regard to these sections and their exceptions and their explanations which are before us here. I say it is not necessary and not wise to bring them because these gentry that we are dealing with are familiar with all the sections and their exceptions and explanations and everything else, and they can generally so manage as to avoid all these snares laid for them. These people are like eels, they escape through the smallest opening possible. It has been very difficult for anybody to contrive a law that will stop all their tricks and ways of living. In fact, it is not possible to anticipate what they will do. In the case of this press law for instance, how easily they got over it. With great difficulty and trouble it was passed and these people got over it very easily by putting in dummy editors. The clever man sits behind and a dummy is put forward, and when you go to prosecute you have to prosecute the dummy, and the dummy is defended by the best lawyers. And even if after all the dummy is convicted it only means that one seven rupee man goes away and another comes in, and so it goes on. So you see how difficult it is to deal with these gentry. So far as I can see the advance sought to be made by Government is very great. It may not be perfect. Nothing in this world is perfect. If everything was perfect we need not sit here from day to day. But there are many things which require to be attended to and to be added to and put right. And so we sit here every day. And even if there are any defects in this legislation then those that come after us here will cure them. For the present it is an attempt and an attempt very carefully made to deal with the situation, and the fight has been carried on with great determination and great courage. It does require a great deal of courage particularly from people who are rather shaky in their seats and would like to have support for the next election. These gentry are very difficult to deal with and I shall be very glad if this law is passed because it is a step forward.

**THE HONOURABLE MR. B. J. GLANCY (Political Secretary) :** Sir, I hardly think I need repeat over again what the Honourable Law Member and the Honourable Home Member have said, that as far as the responsible press is concerned there is no cause for alarm. It has again been made abundantly plain by the Honourable Home Member that there is no intention

whatsoever of stifling legitimate criticism and there need be no anxiety on that behalf.

But against the irresponsible or sensational or piratical section of the press there are two main charges as regards their dealings with Indian States which make early action necessary. The first of these main charges is, not to put too fine a point on it, that they indulge in habitual blackmail and so they disturb the neighbourly relations which ought to prevail between British India and the States. Editors of irresponsible papers naturally are far more interested in their own profits than in the cause of State subjects which they profess to espouse. They respond less readily to the cry of the State subject than to the rustling of a currency note. Honourable Members of this House will probably have received from certain interested parties a series of rather pathetic leaflets which represent that if this Bill is passed into law it will become a matter of great difficulty for the sensational press to defend the subjects of an Indian State. That suggestion might be correct if we made one trifling amendment, if we substituted the word "exploit" for the word "defend". At present exploitation goes on wholesale and I sincerely hope that if and when this Bill does become law it will be a matter of great difficulty for these papers to exploit the subjects of Indian States. In an Indian State as elsewhere, if anybody has a genuine grievance, obviously he ought to go in the first instance to the authority directly concerned, and it is certainly true that in an Indian State where personal rule prevails it is easier for the subject to get direct access to the highest authority, that is to say the ruler, than would normally be the case in British India. If the subject of an Indian State wants to appeal to the irresponsible press, he need only do so with any hope of success if there is money in the proposition. It does not follow that because these papers are willing and ready to bleed the rulers of Indian States that they are unwilling to bleed the State subjects. It seems to me that the editors and proprietors of irresponsible papers deserve no particular sympathy and no great credit, except perhaps for the ingenuity they have shown in taking part in the invention of a new industry. From time to time new industries have been invented. A century or two ago certain people invented an industry which came to be known by the name of "body snatching". It consisted in digging out bodies from their graves and selling them to the hospitals for purposes of dissection. It brought in a very handsome return, I believe, while it lasted, but it was not a very savoury or respectable occupation and nobody except those who were personally interested in it felt any great regret when it was suppressed. Now, in more recent times certain people have invented a more or less similar industry. It consists in digging out skeletons from the cupboards of Indian States and selling them to the predatory press for purposes of dissection. This also has brought in quite a handsome income while it has been allowed to continue, but it is not a very clean or commendable occupation and nobody, except those who are personally interested in this industry, need feel any great regret when it is brought to an end.

One argument that has been adduced against clause 3—the press section of this Bill—is that State administrations themselves are to blame because they encourage the blackmailing press by handing out money to them. No doubt in theory that is correct, but we will be able to appreciate the position more accurately if we try to put ourselves in the place of the Administrator of an Indian State. The Administrator may often be hard put to it if in the midst of his troubles he gets a letter from an unscrupulous editor saying,

"I have received some disquieting information about your State. I am not 'satisfied' about it, and I think I shall have to produce an article in my paper. But before I do so, you might like to give me a personal interview and in the course of that interview you may be able to 'satisfy' me".

[ Mr. B. J. Glancy. ]

Can we blame the Administrator if sometimes in his distraction he goes against his better judgment and proceeds to "*satisfy*" the editor in the way that he expects ?

Another argument that has been brought forward is that if the administrations of States were free from blame they would have nothing to conceal and nothing to fear, and so they should not object to the attacks of black-mailing papers. That argument might suitably be engraved on the flyleaf of the Blackmailer's Bible. It provides a condonation for every instance of this most obscene and contemptible form of crime, blackmail. No one can pretend that all Indian State administrations are blameless. But how many people are there in the whole world who would like every little incident of their past careers to be flashed on to the screen with an appropriate comment ? I think if I asked that question even in a nunnery, the show of hands would be exactly nil. There is an old saying that mud sticks whoever throws it. Let us therefore discourage the unscrupulous press from throwing mud either at Indian States or at anyone else.

Another argument that has been brought forward is that the existing law is sufficient in itself and that therefore this piece of legislation is superfluous. That argument has, I think, already been sufficiently dealt with by the Honourable the Home Member and the Honourable Mr. Hallett, and I do not think I need say very much about it. There are two obvious reasons why the existing Princes Protection Act has proved ineffective. The first of those reasons is that a prosecution has the effect of broadcasting and advertising the very attack which it is sought to suppress, and the second reason is, as has been explained, that proceedings are apt to take an inordinate time. I do not think that I need say anything more about this particular charge against the irresponsible press, that is to say, its tendency to blackmail, in order to show that in the name of decency it is high time that action was taken.

The second main charge against the irresponsible or sensational press in its relations with Indian States in this, that it tends to fan the flame of communal hatred throughout the country. This, in my opinion, is a far more serious charge. But it is very well known and I do not think I need waste the time of the House by saying very much about it. Everyone will have noticed that when there is trouble or the rumour of trouble in an Indian State, the sensational press at once gets to work on communal lines. Each newspaper that professes to represent one particular community proceeds to revile and abuse the rival community and proceeds to profane everything that that community holds sacred. Not only do the newspapers embarrass the Government of the particular State immediately concerned, but they spread the poison of communal ill-feeling abroad through the land; they do their best to destroy all prospects of a united India. I do not think that I need appeal in vain to anyone who calls himself a nationalist in the true sense of the word when

1 P.M.

I say that in the name of India these activities should be brought to an end.

Sir, for these reasons I submit that clause 3 should stand.

THE HONOURABLE THE PRESIDENT: The Question is :

" That clause 3 stand part of the Bill. "

The Council divided :

AYES—31.

Akbar Khan, The Honourable Major Nawab Sir Mahomed.	Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.
Charanjit Singh, The Honourable Raja.	Menon, The Honourable Diwan Bahadur Sir K. Ramunni.
Chetti, The Honourable Diwan Bahadur G. Narayanaswami.	Mitchell, The Honourable Mr. D. G.
Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji.	Muhammad Hussain, The Honourable Mian Ali Baksh.
Crosthwaite, The Honourable Mr. H. S.	Noon, The Honourable Nawab Malik Mohammad Hayat Khan.
Devadoss, The Honourable Sir David.	Padshah Sahib Bahadur, The Honourable Saiyed Mohamed.
Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir.	Parsons, The Honourable Sir Alan.
Ghosal, The Honourable Mr. Jyotsnanath.	Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur.
Glancy, The Honourable Mr. B. J.	Raza Ali, The Honourable Saiyid.
Habibullah, The Honourable Nawab Khwaja.	Russell, The Honourable Sir Guthrie.
Hafeez, The Honourable Khan Bahadur Syed Abdul.	Souter, The Honourable Mr. C. A.
Hallett, The Honourable Mr. M. G.	Spence, The Honourable Mr. G. H.
Jalan, The Honourable Rai Bahadur Radha Krishna.	Stewart, The Honourable Mr. T. A.
Kameshwar Singh of Darbhanga, The Honourable Maharajadhiraja Sir.	Suhrawardy, The Honourable Mr. Mahmood.
Khapardo, The Honourable Mr. G. S.	Ugra, The Honourable Rai Sahib Pandit Gokaran Nath.
	Varma, The Honourable Mr. Sidhoshwari Prasad.

NOES—6.

Banarjee, The Honourable Mr. Jagadish Chandra.	Kalikar, The Honourable Mr. Vinayak Vithal.
Hossain Imam, The Honourable Mr.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad.
Jagdish Prasad, The Honourable Rai Bahadur Lala.	Ram Suran Das, The Honourable Rai Bahadur Lala.

The Motion was adopted.

The Council then adjourned for Lunch till Half Past Two of the Clock.

The Council re-assembled after Lunch at Half Past Two of the Clock, the Honourable the President in the Chair.

Clauses 4 to 7 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. M. G. HALLETT : Sir, I move :

“ That the Bill, as passed by the Legislative Assembly, be passed ”.

In view of the discussion which we have had on the second reading I do not think it is necessary at this stage for me to say anything more.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I regret I cannot congratulate the Government on their bringing forward this measure at this time. The House will remember that a similar Act was put before the Legislature in 1922 for the protection of the princes. That Bill was rejected by the then Assembly and was certified by His Excellency the Governor General. Sir, Government has perhaps taken advantage of the present Assembly and thought it proper to bring in a measure in a more bitter form than before and they have carried it as desired by them in the other House. Since the last occasion, Sir, only one important change has occurred, and that is, the leading of *jathas* into some of the States from British India.

**THE HONOURABLE SAIYID RAZA ALI :** Also attacks on the ruling princes in the Press.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** My friend says, "Also attacks on the ruling princes in the press." I think this was being done then also, and therefore the Bill was brought before the Assembly in 1922. Yesterday, when my friend the Honourable Mr. Raza Ali was speaking, he said that a change had come, and he then referred to the leading of *jathas* from British India to the Indian States. So, Sir, I think that is the only important change that has occurred which has perhaps prompted Government to bring in this Bill. Since then we find that the non-co-operation movement has been withdrawn by its originator, Mahatma Gandhi. And if those *jathas* arose out of that movement I hope there is no immediate fear on that ground now. Therefore I am of opinion that it would have been in the fitness of things if such a Bill could have been brought after the creation of the Federation, because the princes and their representatives would then have been sitting in the House and the charges of maladministration levelled against them could have been defended by them. We would also have been in a position to bring forward specific acts of maladministration in the States in this Legislature. As I pointed out yesterday, we are at present precluded from putting any question or moving a Resolution relative to the States' administration. It would therefore have been more proper to bring up this measure after the introduction of the reforms. For the next two or three years we could have gone on as we have been doing. As I have pointed out yesterday, the Government has vast powers under sections 121A and 144 of the Criminal Procedure Code. By the use of those sections Government could have checked any activities in British India which they thought to be against the administrations of the princes. Sir, we were glad to hear the Honourable Home Member, whom we are missing today, remarks yesterday that Government admitted their responsibility for maintaining good government in the Indian States. I would suggest, however, that the responsibility for maintaining good government in the States does not only mean the protection of the princes but also of their subjects. Government should see also that the rights of the people are protected and I hope the Government will do their best to see to that.

Yesterday, the Law Member, when interrupting one of the speakers on this side, said that the press will enjoy the same privileges in regard to Indian States as it does with regard to British India. I hope that this clause, over which we have fought this morning and lost, will be used in accordance with the statement made by the Law Member and that the Government will see to it that the press is not unnecessarily muzzled when it attempts to make statements of facts about the chiefs. I can only hope that the promises and statements made on behalf of Government in this House will be given effect to and will not remain as so many scraps of paper to be thrown into the wastepaper basket.

There is another important point relevant to the statement of the Home Member that he will see that the administration of the States is conducted properly and it is this. We know that 60 or 70 per cent. of the States have no popular assemblies through which their subjects can ventilate their grievances and I hope that Government will do their utmost to see that such assemblies are established in all States to enable the people to give expression to their feelings and grievances as we in British India are doing in all the Legislatures. I cannot see how the Government is going to protect the administration of the States where there are no such assemblies and government is carried on by *firman*s or edicts of the ruler.

Then I will refer to section 4 of this Bill which gives too much power to magistrates in British India. I can only hope that this power will be exercised properly and in rare cases. We know how sometimes cases are dealt with. The princes who have tons of money can spend what they like to meet their object. We have heard how some papers have been bribed in one way or another and we are only afraid that similar attempts may be made in the case of magistrates in order that a prince may achieve his object. I therefore request the Government to see that this section is exercised properly.

Under section 3 of the Bill these cases will be dealt with by magistrates instead of judicial officers.

THE HONOURABLE SAIYID RAZA ALI: That is not so in clause 3. That is only with regard to clauses 4 and 5, which contemplate something very different.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I am speaking about the press, cases with regard to which were dealt with by judicial officers and now will be dealt with by executive officers in the first instance.

Sir, with these observations I will close my remarks, and I regret I cannot extend my support to the Bill.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir, a suggestion was made yesterday while demanding our support to this Bill that we as good neighbours must provide some measure for the protection of our neighbours. I quite agree with that position of my Honourable friend Mr. Hallett but I have a right also and it is this that if my neighbour wants to burn his house, I must prevail upon him and see that he does not destroy it. It has been said this morning that the provisions of this Bill do not come in the way of attacks on Indian princes, but the provisions of this Bill will be applied to those attacks—malicious attacks against administrations in those Indian States. I may submit, Sir, that in the majority of cases there is a very thin line of demarcation between a ruler and his administration. There is no such thing in many of the States as a ruler independent of his administration. It is a thing we are enjoying in British India and not in the Indian States. So whatever provisions you might have made in this Bill, it is likely to come in the way of fair and legitimate criticism against the rulers and princes. Then, Sir, we have been told by several speakers and the supporters of the Bill that this Bill is intended to stop blackmailing. I am with them if it is really intended to stop blackmailing, but I am afraid that instead of stopping blackmailing, it will create more mischief and it will help the rulers of the Indian States in perpetuating one man's rule—despotic rule. I quite admit that there may be a few instances where blackmailing may be going on, but



[Mr. Vinayak Vithal Kalikar.]

at the same time I have to submit that the rulers are to some extent responsible for this blackmailing. A few years ago, If I remember aright, I read in the papers—I do not exactly remember the name of the gentleman now—in England a very vile attack, a malicious attack, was made on His Majesty the King-Emperor and His Majesty did not like to take advantage of his position as a Sovereign; he offered to vindicate his character as a private individual and his character was vindicated. I quote this example of our Gracious Majesty before the rulers of Indian States. They ought to follow this example and lay themselves before the public for fair criticism and clear their own character. If these princes had not taken to this despicable task of bribing the journalists in India, no such trouble would have arisen. I hold them responsible to a very great extent. In the Lower House, Sir, an incident was cited by a very responsible Member, Mr. N. M. Joshi, who is intimately connected with a press in Poona. He stated that in his paper there appeared some criticism against a prince and the prince in order to avoid further criticism sent him a cheque, which he returned with thanks. He cited that incident in his speech in the Assembly. So this is the way we are going on. I am afraid that if we really want to stop blackmailing, if we really desire there ought not to be misrule and maladministration in these Indian States, we must also come to the help of the subjects of the States by introducing some measure and then and then only we can be justified in lending our support to this measure. This morning my Honourable friend, the Law Member, said something about public opinion and he referred to Congress opinion and Mahatma Gandhi's opinion. I say that I do not want Government to attach any importance to the Congress opinion and to Mahatma Gandhi's opinion. The opinions that have been supplied to us are not Congress opinions, and as I said, the opinions that have been supplied to us are not of those persons who are interested in the welfare of the subjects of Indian States. They are the opinions of Government servants, whose duty it will be in future to bring this Bill into effect and the majority of them, so far as the press clause is concerned, are against it. I also submit that the opinion of the Indian national press and the opinion of Indian nationalists is also against this provision. I admit there might be some opinion in favour of it, but that opinion is restricted to a particular class which always has to support good or bad measures of the Government. So I submit that the opinions of the various classes, various communities and various people interested in this measure have to be taken into consideration; but it seems that the opinion only of a particular class has been taken into consideration in framing this Bill. Then, Sir, there are provisions in this Bill, for instance clause 5, which are quite analogous to section 144 of the Criminal Procedure Code. My friend the Honourable Rai Bahadur Mathura Prasad Mehrotra, cited instances yesterday, and during my short practice as a pleader at the Nagpur Bar, I may state for the information of this House that I have had to deal with cases where a district magistrate even banned caste dinners. I may submit also—and I am very glad to do so—that the High Court in revision quashed the orders. My point is that you are keeping that very clause, that very section of the Criminal Procedure Code, which has been misused to a very great extent by over-enthusiastic executive officers. So, Sir, except for the portions relating to *jathas* and criminal force (clause 2), I am afraid I cannot give my support to this Bill. I must take this opportunity of thanking publicly and congratulating those officers of the Government who had the courage, knowing that Government wanted to pass this Bill, to speak out openly and boldly against the Bill and give their unbiased opinions.

\*THE HONOURABLE MR. HOSSAIN IMAM : Sir, the third reading is not a stage when we can indulge in detailed discussion of a measure. Notwithstanding, it is necessary for me to give some personal explanations. Firstly, Sir, yesterday in concluding the debate on the consideration stage the Honourable the Home Member remarked that I was the only person who had opposed the clause concerning the *jatha* movement. I wish to clear the point. My position was based on financial grounds only. I did not say that the sending of *jathas* and the civil disobedience movement is a thing which should have the support of the House or of myself. What I said and what I stick to is that, when we incur expenditure in controlling that movement we should be allowed to discuss it. That was my point. Secondly, I wish to clear the position that when I oppose this Bill in its entirety it is not so much due to the fact that I do not recognize that there are some loopholes which ought to be filled up. I know that. But my position was that these loopholes have existed for centuries. If now we are asked to close them up, we must have a *pari passu* assurance that the other place is also improving. If they are to remain in the position in which they were, and as irresponsible as they used to be, then I aver, Sir, that we should also have the right to malign them. If they improve, we are ready to co-operate and give them every facility for setting their House in order and to safeguard them on that account and for no other reason.

Then, Sir, the position of the Indian States is, in my opinion, amply safeguarded by the Penal Code. Sections 125 and 126, to which our attention was drawn by the Honourable the Law Member, of the Indian Penal Code itself does provide a means whereby the safeguards could be given to the Indian States. It says :

“ To any Asiatic power in alliance or at peace with the King ”.

Well, the major States are, I suppose, such powers. If there was any necessity it might have been defined here and specifically mentioned that Asiatic powers included Indian States, because then we could have penalized all the things which are being penalized now. They would have penalized things which according to international law our Indian princes are entitled to ask for, and to that no sensible man would have taken objection. Sir, the reason why, knowing well that clause 2 was a substitute for 121A, the reason why I drew attention to section 124 was because the quantum of punishment in section 2 and in section 124 are the same and also because of the fact that 121A is a recent addition to our Penal Code called for by political developments in India. Section 124 is one of the original sections of 1860. If there was a necessity in India for introducing section 121A, that necessity was fully substantiated when section 121A was added to the Penal Code. Nothing of the sort was done when section 2 of the Bill was included. I was a bit surprised to find the Honourable Mr. Glancy trying to justify the Indian State administrator who squared up the more reputable section of the press. We are used to hear that the end justifies the means but we never believed that such a theory would be held by the Government benches.

As regards the other sections of the Bill, we have not, as you will find, raised any debate on the other sections. We have only confined ourselves to sections 2 and 3. But there is one strange point in this Bill, Sir. Just as I said yesterday in the course of my remarks that Sir Harry Haig's reply that I must have been ignorant of the happenings in British India during the last three years if I thought that there was no conspiracy in the Indian States, from

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\*Speech not corrected by the Honourable Member.

[Mr. Hossain Imam.]

that I drew the conclusion, Sir, that the crime which has been penalized in section 2 is the crime which used to be committed during the last three years and that crime is *jatha* and civil disobedience. I was anxiously waiting to be enlightened by either Sir Harry Haig or by the Honourable Mr. Glancy whether this was the intention of the Government. Because, Sir, it seemed to me strange that the whole legal theory has been turned round in this Bill. Section 5 penalizes the same thing as I thought section 2—from which it would appear that if a man contravenes the order of the district magistrate he is liable to six months' imprisonment only whereas if he does the same thing without contravening the district magistrate's order he is liable to seven years. The quantum of punishment is increased fourteen times when he commits the minor offence. It is rather strange to have a punishment of this sort. Therefore, Sir, we would like the Honourable Member to enlighten us as to what exactly the crime is which section 2 is intended to punish.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) : Sir, a lot has been said about the merits and demerits of the question of public opinion. If I refer to it at all in passing it is with a view to explain partly my own position. I believe, Sir, taking things as they are in this country, public opinion is taken to mean the opinion of the school of thought to which an individual himself belongs, and the minority or microscopic minority opinion represents the opinion of the school of thought to which his adversary belongs. I believe, roughly speaking, that would be the test. In any case, that is how we base our acts in this world, and nobody being quite free from the prejudices which he has developed or cultivated in the course of his life, on the whole that would not be an unfair test. I have put it very crudely perhaps, but I think the test has been fairly expressed.

Sir, I do not think it would be claimed on behalf of the Government that the measure which has been brought forward in this Council is a perfect measure. Having regard to human shortcomings, nothing devised through human agency is perfect. I believe the rough and ready test that should be applied to a scrutiny of the provisions of the present Bill is whether on the whole, having regard to the circumstances, it is a measure which is expected to serve a useful purpose or not. If it is going to do good on the whole, I think the measure is one that should commend itself to the acceptance of the House. On the other hand, if the measure is one whose evil is likely to exceed the amount of good that it might in the future do, that certainly would be an argument in favour of the rejection of the Bill. Having regard to these, Sir, let us see, without going minutely through the provisions of the Bill, whether they are on the whole reasonable and can fairly be expected to serve the purpose for which they are meant. The Act has roughly been divided into three parts. Clauses 2 and 7 go together and are meant to be applied in serious cases where conspiracies are started to overawe by means of criminal force or the show of criminal force the administration of a State. That is the most serious part which is being enacted in the Bill. I may at once point out here that Government have taken the precaution of reserving to themselves under clause 7 the right to launch proceedings. Clause 7 reserves the power to Government to exercise this power or not. In other words, as a condition precedent to the exercise of the power under clause 2 it is discretionary with Government to launch a prosecution or not. That to me is a sufficient safeguard. If we start challenging the *bona fides* of Government I do not think there is much use discussing any proposed legislative measure. Every country, every people, has got to trust its own Government. No doubt

Government is liable to err. Governments as other human institutions, are composed of human beings and are liable to make mistakes. All the same there is no reason to suppose that the Government will not exercise due care and caution to see that the case presented to them is a proper case in which proceedings should be preferred.

The next thing is the provision against certain activities which include the activities of the press. That is enacted in clause 3. Here, the only safeguard that I can detect is that because the power that can be exercised under clause 3 is of a penal nature and not of a nature that can deprive a man of his liberty, Government have reserved to themselves the right to see whether a case has been made out in which the security should be forfeited. No judicial process is to be served, and no court of law is to try the matter. I do not think we can make a grievance of this. If we go back into the history of this question it will appear that at no stage of the case, having regard to the legislation dealing with the rights of the ruling princes, was a court of law brought into the picture. Going back to the Princes Protection Bill of 1922, we find that though it was open in certain cases to the aggrieved prince to go to a court of law, yet, if we go back to a measure that was enacted about twelve years earlier, namely, the Indian Press Act of 1910, we find that there power was reserved to the Government which was empowered to take executive action. So far as the other provisions of this Bill are concerned, they are not to have the effect of law in British India unless a special notification to that effect is made. It clearly means that if it is desired to take steps in any place which borders on British territory, if restlessness obtains and if there is a danger to the public peace, action is to be taken under clauses 4 and 5 but not till a notification to that effect has been made by Government. Having regard to all these things, Sir, my submission is that this Bill should be given a chance. It should be placed on the Statute-book and we should wait and see how the provisions of the Bill work. In fact, in a body like the present House, the tendency always is to examine too closely the provisions of the Bill with an eye to see how they are going to affect the rights of the subject. My submission shortly is that after all, our laws are not like the laws of the Persians and the Medes. They can be changed if they are shown to be defective. But it is impossible to find out what the working of a certain Act would be unless a fair chance is given to it. Expression was given at the time to the view that the placing on the Statute-book of the Princes Protection Act of 1922 would be followed by great hardship and that it would deprive the people of their liberty. Yet we have seen that during the course of ten or twelve years it has been in force, not more than three or four prosecutions have taken place with the result stated by the Honourable Mr. Hallett yesterday.

I may say that I personally attach greater importance to clause 3 of the present Bill than to all the other provisions of the Bill taken together. I gave expression to my views on the subject yesterday. Having regard to the condition in which the subjects of the Indian Princes are placed, I emphasized the need for care and caution. But having done that and having invited the attention of the Government of India to that important point, I must at once point out that unless a stop is placed to the activities of a certain section of the press, which has been termed the irresponsible press, grave consequences are likely to arise. It has been pointed out by the Treasury benches that a measure of this character is necessary not only in the interests of the Indian States but also in the interests of the people of British India. That is a matter to which I earnestly invite the attention of this House. Sir, there is an Indian State which is not far from the place to which I belong. Now, to show the possibilities or potentialities of danger on this point, I may state that only a

[Saiyid Raza Ali.]

few months ago it was advertized that just after the Friday prayers in the Juma Mosque certain resolutions would be passed in connection with measures that had been introduced by a certain neighbouring ruler. The proposed resolutions were not in fact at all complimentary to the ruler and his administration was maliciously attacked. Those responsible for this programme were a party of Musulmans. But another party of Mussulmans, who honestly believed that the measures adopted in the State redounded to the credit of the ruler and promoted the well-being and interest of the subjects of the State, also issued a counter proclamation saying that prayers for the long life and prosperity of the ruler would be offered in the mosque after prayers and if unfounded criticism was made of the actions of the ruler in the mosque the matter would be discussed with a view to refuting the baseless accusations. That, Sir, would have led to very serious trouble but for the timely action taken by the Imam of the Juma Mosque and but for his ruling the district authorities would have had to interfere. His ruling was that a mosque being the house of God could not be used by any party whether friendly or hostile to the State for the purpose of criticizing or approving measures adopted by that State. It could only be used for the purposes of worship. So this is the kind of thing which is very likely to happen if no action is taken to prevent a section of the press from indulging in very serious attacks on the princes, misrepresenting their actions and bringing unfounded charges recklessly and maliciously against them. All this has been done increasingly in late years.

It was asked why a measure of this character was not propounded in 1922 and why it is only now that Government has awakened to the seriousness of the question. I do not really know what the position of the Government is, but so far as I can see the answer is that things which are happening today did not happen in the year 1922. It may be that that is the explanation. It may also be that unemployment is increasing day by day. There are so many universities turning out numbers of graduates every year and those young men can find no employment. Well, it is by no means an uncommon spectacle to see young men starting a paper and beginning to take an interest in some particular Indian State. That is a spectacle I have seen for myself. I believe that unemployment is partly responsible for the sort of career that some of these young men choose; having nothing better to do, they start a press, bring out a newspaper and devote their attention to some particular Indian State which they imagine can be made as a source of income to them. But even assuming that Government did not do their duty in the year 1922, is that any reason why this House should not do its duty in the year 1934?

THE HONOURABLE MR. HOSSAIN IMAM : Are the States better or worse than they were in 1922 ?

THE HONOURABLE SAIYID RAZA ALI : That is a question which everybody can judge for himself. I think the query had better be addressed to the Treasury benches. On the whole, so far as I am concerned, I believe and hope that the state of affairs is improving, it may be very slowly, day by day. But having regard to the facts which I have set out, I believe that the Government have surely done the right thing in bringing forward a measure of this character.

There is only one more remark I have to make and it is this. Yesterday while my Honourable friend Mr. Hossain Imam was discoursing on the question of concurrent jurisdiction given to the Local Government and the Governor

General in Council, I enquired as to what would happen in the case of the States in Rajputana. I am afraid my point was wholly missed by my Honourable friend. The Honourable Law Member rose to explain the point and I kept silent. I do not know whether my silence was discreet or otherwise. But having regard to Rajputana the point is this. Take the case of an unfortunate State which is the recipient of attentions by the editor of a newspaper conducted at Ajmer. In the scheme of my learned friend, who emphasized that that duty should be performed by the Local Government and not by the Governor General in Council, action against that paper, namely, forfeiture of security or the press, as the case may be would have to be taken by the Chief Commissioner who, let my friend remember, is also the Agent to the Governor General for Rajputana. It may be that this dual capacity will not exist after some time but today the fact is that the Chief Commissioner of Ajmer-Merwara is also the Agent to the Governor General for Rajputana States. I believe my learned friend did not realize the importance of the question. What will happen is this. The papers are put up and the Agent to the Governor General goes through those papers. If he is satisfied that the case is good, as Chief Commissioner he passes an order that the security or the press itself be forfeited. Is that the object of my learned friend? I am sure it is not. That is the reason why I wanted to invite his attention to the important fact that so far as the right of the subject is concerned it is much better that the power should be exercised by the Governor General in Council than in certain cases by Political Officers. In a case which I—

**THE HONOURABLE MR. HOSSAIN IMAM :** I did not contemplate Rajputana. What I said was about the major provinces and not about minor administrations under the Government of India.

**THE HONOURABLE SAIYID RAZA ALI :** I am not concerned with that. I thought the point was of some importance and that I should explain. That on the whole is the position. Holding the views that I do, in spite of the fact that I am not quite free from doubt as to whether the provisions of clause 3 are wholly satisfactory, but having faith in the vigilance, the admirable vigilance, of the Political Department in protecting the rights of the subjects of the States, I see no reason why this House should not give its acceptance to this Bill.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) :** Sir, unlike my Honourable friend Mr. Mehrotra, I hold that the legislation which we are now considering is one which is necessitated by the circumstances in which we find ourselves. I feel that it is necessary in view of the conditions that have developed in the country recently and that the Government have not launched this measure even a day too soon. Sir, Honourable Members are aware of the situation that developed recently in British India in connection with agitation regarding some Indian States. Can we, in spite of that experience, even now persist in maintaining that the necessity for this legislation has not arisen? Even the Deputy Leader of the Progressive Party, the Honourable Mr. Hossain Imam, was forced to admit that there were some loopholes in the law and that there was a need to close those holes; only he objected to those holes being now closed and being closed without a guarantee from the princes being given to the effect that they would do their part of the duty.

**THE HONOURABLE MR. HOSSAIN IMAM :** I am afraid you are allowing them a long rope to hang themselves with.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR: Whatever it might be, my own feeling is that even though I agree with him in thinking that side by side with the duty which the British Government is trying to perform in the interests of the princes it is also necessary that it should also see to it that the interests of the subjects are also equally safeguarded. I only differ in this, that unlike Mr. Hossain Imam, I do not feel that we should abstain from doing our part of the duty until the other people have already performed theirs. I feel that we should try and discharge our part of the obligation in order that we might persuade the other party to perform their part of the obligation. As was observed yesterday, and very rightly too, by my Honourable friend Nawab Hayat Khan Noon, the suzerain power has a dual duty to perform. It is equally under the necessity of affording protection to the subjects in the States from misrule and misgovernment and this counterpart of the duty involves the well being, peace and happiness of millions of human beings who are ruled over by these princes. If I refer to this aspect of the duty, I do not so do with a view to suggest that there has been any neglect of duty in this respect. On the contrary, Sir, I appreciate fully the earnestness with which the Political Department has been trying to protect and safeguard the interests of the subjects in the States; but I stress this part of the duty of the Government of India with a view to show that the more these princes are entrenched in their position, the greater becomes the necessity of watching and seeing that the interests of the subjects in those States are not jeopardized. Sir, as the Honourable Mr. Hallett observed yesterday, Indian India and British India are one, divided, if at all, only by artificial barriers. There is not even a natural boundary, nor even racial difference. People in British India have relations and friends living in Indian States, so that the citizens of these States are not only the neighbours of British Indian citizens but they are in fact the flesh of their flesh and the bone of their bones. If therefore the people in these States are misgoverned, if they are subjected to any harsh or unjust treatment, we cannot expect British Indian citizens to look on with unconcern. If therefore the princes are anxious to secure effective protection if they are anxious to maintain and encourage friendly relations between themselves and British India, the best course for them to adopt would be to treat their own people properly. If they only keep their own subjects happy and contented, they can always feel assured in relying upon the co-operation and willing help of British India. Even though I would not demand any *quid pro quo* from the princes for what we have done today in order to protect their interests, I would make an appeal to them. Sir, on the floor of this House, and through you, Sir, I would earnestly appeal to the Indian princes always to remember that British India and Indian India are one and that in the readiness with which their representatives in London welcomed the idea of Federation, when it was proposed at the first Round Table Conference, they have fully recognized the fact of the unity, that having so nobly and with such patriotic spirit consented to throw in their lot with the rest of India, it behoves them as the descendants of their illustrious forefathers whose valiant and noble deeds constitute the brightest of chapters in the ancient history of India, it behoves them to play an equally distinguished part in the making of the present and future history of India; and this they can do not by insisting on their treaty or other rights, but by frankly acknowledging and readily and generously conceding the rights of their subjects in whose well-being and prosperity lies their real strength. I appeal to them to keep their subjects happy and contented and thus promote good feeling between themselves and British India. Finally, I appeal to them to prepare themselves for the great part they have

to play in the federated India of the future, so that they might be able to dispel and demolish the suspicions entertained in some quarters that the association of the Princely Order will be a spoke in the wheel of progress. I appeal to them to give the lie direct to this suspicion and do what all they can to help the forces of progress in the country.

**THE HONOURABLE SIR DAVID DEVADOSS :** Sir, it is rather startling to be told that an act is punishable with seven years' rigorous imprisonment but if the act is done after it is prohibited it is punishable with only six months. I think my Honourable friend is under a misapprehension as regards this. Section 2 refers to a conspiracy to overawe by means of criminal force or by a show of criminal force the administration of the State. Conspiracy means the working together of more than one person. One person can not conspire to do anything. He can attempt to do a thing but conspiracy means more than one person to do a thing. Section 4 refers to a different act altogether. Whenever

" a district magistrate, etc., is of opinion that within his jurisdiction attempts are being made to promote assemblies of persons for the purpose of proceeding from British India into the territory of a State in India and that the entry of persons into the said territory or their presence there is likely to cause obstruction "

That is quite a different thing. Conspiring against an Indian State is a very serious offence. Sending a few people is quite a minor thing. Also clause 5 refers to acts which a magistrate considers in his discretion are likely to prevent or tend to prevent obstruction to the administration of a State in India. Doing a particular thing is a different thing altogether from a conspiracy which is a more serious offence. Therefore, Sir, clause 6 which provides only imprisonment of six months is not a thing which is opposed to section 2. I thought I would correct this misapprehension, otherwise it would appear very startling that if you do an act you are punishable for seven years but if you do it after a magistrate orders you not to do it, you are punishable for six months only.

**THE HONOURABLE MR. M. G. HALLETT (Home Secretary) :** Sir, I do not think it is necessary for me to detain the House much longer. I admire the persistency with which the Opposition have pressed their views but it is evident from the results of the division we have had that they have not been successful in persuading many other Members of this House to the same views as to the objections to clause 3. I regret that they have not been converted to our view by the speeches which have been made not only on the Treasury bench but also elsewhere, by the general considerations which the Honourable the Home Member put forward by the exposition of the law given by the Honourable the Law Member and the very practical points put forward this morning by my friend the Political Secretary. As these three gentlemen have spoken before me there is little left for me to say for all the arguments put by the opposite side have been fully met.

There is, however, one point that was raised by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra in his speech on this reading and that was that this was an inopportune time for putting forward this Bill. His argument was that we might have waited till Federation is an accomplished fact, he also referred to the fact that civil disobedience is showing indications of being abandoned, and he also made some reference to the fact that an Assembly in 1922 had rejected a Bill for the protection of the princes whereas the present Legislature have shown themselves, to put it from my point of view, more reasonable. Sir, Federation is still far off. The contingency which this Bill is designed to meet is one which is always ready to hand. The evil is always present; the danger exists now and it is for that reason that we should have had



[Mr. M. G. Hallett.]

to bring this Bill in, whether or not there was any talk of Federation. Whether there is any possibility of Federation or not, we are bound to take this action to protect the princes. The Honourable Member says there has only been one important case. That may be true but there have been many cases in which threats of similar action have occurred. And if I am not giving away official secrets, I may refer to the fact that on more than one occasion we have had ready to hand Ordinances that might have to be issued at any moment to curb that particular form of agitation known as *jatha bandi*. Then again, he referred to non-co-operation. Sir, it has never been contended on our part that these disturbances in the States are the direct results of the civil disobedience movement. That has never been our point. They may arise, possibly indirectly from the same source, but the disturbances that have occurred in the States have not been directly connected with that movement and therefore the fact that there are indications that that movement may be abandoned has nothing whatever to do with our present proposals.

Those, Sir, I think are the main points which he raised and I think that the other points have been sufficiently answered in the speeches of Honourable Members who have spoken for the Bill or by official speakers.

The Bill, Sir, I admit, is not a perfect one but it will, I trust, do much to improve conditions, or rather to prevent the occurrence of conditions which disturb the tranquillity of the States and thereby disturb the tranquillity of India. (Applause.)

THE HONOURABLE THE PRESIDENT : The Question is :

"That the Bill to protect the administrations of States in India which are under the suzerainty of His Majesty from activities which tend to subvert, or to excite disaffection towards, or to obstruct such administrations, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

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### STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House): Sir, the Textile Protection Bill has been laid on the table today. All parts of the House, with the exception of the Progressive Party, were anxious to proceed with the discussion of the measure tomorrow, but the Progressive Party want to have the usual notice. Government have no wish to ask that the period of notice be curtailed. The matter is one of pure convenience of the House and, in view of the objection taken by the Progressive Party, I suggest that the Bill be taken up in the normal course on Friday, the 20th April. I also understand that some Members do not desire to sit on any of the Muharram holidays, namely, Monday, Tuesday and Wednesday, next week. The result will be that the Council will be left with several Bills to pass on and after Thursday, the 26th April.

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The Council then adjourned till Eleven of the Clock on Friday, the 20th April 1934.

# COUNCIL OF STATE.

Friday, 20th April, 1934.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

## QUESTIONS AND ANSWERS.

### COMPARATIVE RENTS OF QUARTERS IN SUMMER HILL AND BEMLOE.

133. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to the answer given on the 14th December, 1933, to question No. 219 in the Council of State, does the fact that the rents of "F" bungalows of types "C" and "D" at Bemloe are slightly lower than those of an "A" class quarter in Summer Hill, mean that officers who are in receipt of larger emoluments pay less towards rental? If so, do Government propose to remove the anomaly?

(b) With reference to the same answer, will Government be pleased to say if rents of houses in Simla have been revised? If so, will they please lay on the table a copy of the revised rules?

THE HONOURABLE MR. D. G. MITCHELL: (a) Government do not admit that any real anomaly exists, because clerks of the Attached Offices pay rent subject to the ten per cent. limitation, while Secretariat clerks on the new rates of allowance occupy their quarters rent free. A Secretariat clerk on the old rates of allowance might pay a higher rent for an "A" class quarter at Summer Hill than would be paid by an officer for a "C" or "D" type bungalow at Bemloe. I would remind the Honourable Member that a Secretariat clerk on the old rates of allowance has certain advantages—e.g., he is not required to occupy Government accommodation, and Government see no reason to make any change in the rules.

(b) The rents of houses for officers whose emoluments are Rs. 600 and over per mensem have been revised, and a statement showing the existing and revised rents for "C" and "D" type houses on the Bemloe Estate, Simla, is placed on the table. The rents of houses for officers drawing less than Rs. 600 per mensem are still under revision, which, it is anticipated, will be completed early in June next.

*Statement showing the existing and revised rents of "C" and "D" type houses at Bemloe, Simla.*

Name of building and locality.	Existing rents per annum.					Revised rents per annum.				
	Building.	Furniture.	Occupier's taxes.	Boilers.	Total Rs.	Building.	Furniture.	Occupier's taxes.	Boilers.	Total Rs.
"C" type houses (12).	621	198	34	28	881	628	196	28	29	881
"D" type houses (4).	615	189	37	28	869	622	188	33	29	872

**SIMILARITY OF TREATMENT TO SECRETARIAT AND ATTACHED OFFICE CLERKS  
IN CALCULATION OF RENTS OF NON-ENTITLED QUARTERS.**

134. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to part (b) of question No. 222, do Government propose to consider the desirability of according to the Secretariat men the same treatment that is given to those from the Attached Offices so far as the calculation of the rental of higher types of quarters, that is, quarters other than those to which there is title, is concerned? If not, why not?

THE HONOURABLE MR. D. G. MITCHELL: I understand that the Honourable Member refers to "out of class" allotments under Supplementary Rule 317-E. IV (i) "Sixthly", and that he considers that Secretariat clerks drawing house rent allowance at the old rates should pay rent subject to the ten per cent. limitation, like clerks of the Attached Offices who draw no allowance. I would point out that rents are charged strictly in accordance with the Fundamental Rules, and that it would be neither equitable nor practicable to reduce the rent payable by a Secretariat clerk who is not entitled to rent-free quarters, but is given the Simla house rent allowance.

**OPERATION OF RULES FOR THE ALLOTMENT OF UNORTHODOX QUARTERS IN  
THE CASE OF SECRETARIAT AND ATTACHED OFFICE CLERKS.**

135. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Has it been represented to Government that so far as allotment of unorthodox quarters in Simla is concerned there is a considerable feeling among the Secretariat men that the existing rules discriminate in favour of the men in the Attached Offices? If so, do they propose to revise the rules suitably? If not, do they propose to ascertain from the men concerned direct or through the Imperial Secretariat Association the facts and take necessary action?

(b) Is it a fact that when the allotment of unorthodox quarters in Simla and Delhi during any one year, say 1933-34, is taken into account, it will be found after due regard is paid to the enjoyment of Simla House Rent Allowance and Delhi Camp Allowance by the members of the Secretariat and Attached Offices, respectively, that the incidence of house rent is greater for the former, i.e., Secretariat men, than for the latter. If so, will suitable steps be taken to remove this state of affairs?

THE HONOURABLE MR. D. G. MITCHELL: (a) No. It is open to the clerks concerned or to the Imperial Secretariat Association to submit their views to Government for consideration.

(b) Government have received no complaint in this respect. I would suggest that it is for any individual who is aggrieved or for the Secretariat Association to apply to Government if they think fit.

**DIFFERENTIATION IN PAY LIMITS FOR THE PURPOSES OF TITLE TO UNORTHODOX  
AND ORTHODOX QUARTERS IN SIMLA.**

136. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Is it a fact that the pay limits for the purpose of title to particular classes of unorthodox quarters in Simla are different from those fixed for orthodox quarters? If so, will Government be pleased to state the reasons therefor?

(b) Has it been represented to Government that the higher limit fixed for unorthodox quarters has meant hardship for men who have chosen the unorthodox style of living and that the existing rules have therefore the effect of penalizing them ?

(c) Do Government propose to consider the desirability of prescribing uniform principles of classification for orthodox as well as unorthodox quarters in Simla as well as in Delhi ? If not, why not ?

THE HONOURABLE MR. D. G. MITCHELL: (a) Yes. The pay limits were fixed in order to secure an equitable distribution of quarters so that the clerks in each class would secure the same proportion of quarters. The Imperial Secretariat Association were consulted before the existing pay limits were introduced.

(b) No case of hardship has been represented to Government.

(c) Government see no reason to change the rules.

DESIRABILITY OF REVISING EXISTING RULES FOR THE ALLOTMENT OF "A" TYPE QUARTERS IN SUMMER HILL.

137. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to part (a) of the answer to question No. 224, have Government considered the desirability of revising the existing rules so as to ensure that in future "A" class quarters in Summer Hill are not allotted to several Attached Office men on practically nominal rental ? If not, why not ?

(b) Have they considered in this connection the desirability of achieving this object by prescribing the same pay limits as are fixed for orthodox quarters ?

THE HONOURABLE MR. D. G. MITCHELL: (a) The allotment of quarters, including these which may be surplus after the needs of eligible applicants have been met, is made strictly in accordance with the allotment rules, and Government see no reason to depart from the existing principles which were prescribed after very careful consideration.

(b) Does not arise.

DESIRABILITY OF REVISING EXISTING RULES GOVERNING ALLOTMENTS OF HIGHER CLASS QUARTERS IN SIMLA TO PERSONS NOT ENTITLED TO HOUSE RENT.

138. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to part (a) of question No. 226, will Government consider the desirability of so revising the rules as to secure that no person who is not entitled to house rent allowance is allotted, in preference to those who are entitled to it, a class of quarters higher than that to which he has title on the basis of his emoluments ? If not, why not ?

**THE HONOURABLE MR. D. G. MITCHELL:** I would invite the Honourable Member's attention to the reply I have just given to part (a) of his question No. 137.

**PREFERENCE TO SECRETARIAT CLERKS OVER ATTACHED OFFICE CLERKS IN THE ALLOTMENT OF QUARTERS SO LONG AS THE RENT RECOVERABLE FROM THE FORMER IS GREATER THAN THAT RECOVERABLE FROM THE LATTER.**

**139. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to question No. 229, is it a fact that the rent realized from eligible rent-paying officers of the Attached Offices is much less than what would be recovered from officers in the Secretariat? If so, will they consider the desirability of making a provision in the rules that whether entitled or not, the Secretariat officer will be shown preference in the matter of allotment whatever the class of quarter may be so long as the rent recoverable from him is greater than that recoverable from an officer of the Attached Offices? If not, why not?

**THE HONOURABLE MR. D. G. MITCHELL:** Yes. But I would invite the Honourable Member's attention to my reply just given to his question No. 137. Government have received no complaints from either the clerks or the Imperial Secretariat Association against the operation of the rules in force and see no reason for altering them.

**QUANTITY AND CLASS OF TIMBER PURCHASED BY STATE RAILWAYS.**

**140. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD:** (a) Will Government be pleased to lay on the table a statement showing the quantity and classes of various timbers purchased by the various State Railways during the last year for which figures may be available with minimum and maximum rates in case of each class of timber at which they were purchased?

(b) Will Government be pleased to lay on the table a similar statement with regard to the various Military Commands?

(c) Do Government prescribe any rates for the purchase of various classes of timbers by the Railway and Military Departments? If not, why?

(d) What were the rates at which the various classes of timber were purchased by the various State Railways and the Military Department during the last financial year?

(e) What are the functions of the Timber Advisory Officer to the Government of India?

(f) Is it one of his functions to approve the stocks at timber depots? If so, are the timbers approved by him placed in the custody of any Government Watch and Ward agency? If not, why not?

(g) Are there any lists of approved contractors maintained for the supply of timber and other commodities by the various State Railways, Military Commands and the Stores Purchase Department?

(h) If so, on what considerations are additions to the lists made or disallowed?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) Information regarding the minimum and maximum rates for each class of timber is not available. For the purchases of timber sleepers in 1932-33 I would refer the Honourable Member to the Report and Appendices (1932-33) of the Sleeper Pool Committee, a copy of which is in the Library of the House, wherein he will find information regarding quantities and classes and average prices paid during that year for timber sleepers.

With regard to timber used in carriage and wagon workshops, figures of minimum and maximum rates are also not available, but I lay a statement on the table, showing quantities, species and approximate average costs of timber used in such workshops in 1932-33.

(b) Information has been called for and will be supplied to the Honourable Member in due course.

(c) Maximum rates are sometimes prescribed by the Railway Board for timber sleepers. No such rates are fixed for timber used in the carriage and wagon shops. Information regarding the Military Department has been called for and will be supplied to the Honourable Member in due course.

(d) As far as State Railways are concerned, the required information is not available at present, but when information similar to that which is being supplied in reply to part (a) above becomes available in due course, it will be forwarded to the Honourable Member. Information with regard to the Military Department has been called for and will be supplied to the Honourable Member in due course.

(e) The functions of the Timber Advisory Officer, Railway Board, are essentially advisory, and may be summarized as follows :

- (i) To advise Railway Administrations in connection with the obtaining of supplies of suitable wooden sleepers and timbers required for carriage bodies and other works.
- (ii) To act as a liaison officer between Railway Administrations on the one hand and Forest Departments and owners on the other.
- (iii) To advise on matters of preservative treatment and seasoning of timber.
- (iv) To act as Secretary of the Sleeper Pool Committee.

(f) The answer to the first part is in the negative, and the second part therefore does not arise.

(g) As far as Government are aware lists of approved contractors for timber and other commodities are maintained by all State-managed Railways. The Indian Stores Department also maintains a list of approved contractors for timber and allied commodities. Information regarding the Military Department has been called for and will be supplied to the Honourable Member in due course.

(h) After due enquiries and/or trial of quality and reliability of supply capacity and financial standing.

Statement showing timber used in carriage and wagon shops in India during 1932-33 and the rates for the same.

Form in which purchased and approximate average cost per ton in rupees.																
Railway.	Teak, Burma.				Teak, Indian.				Indigenous timbers other than teak.							
	Squares.		Sawn timber.		Logs.		Sawn timber.		Bottom boards.		Logs.		Sawn timber.		Bottom boards.	
	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.	Tons.	Rs. per ton.
A. B.	247	222	..	..	470	144	..	..	513	48	..	..	129	92	..	..
B. N.	1,076	234	..	..	..	..	..	..	67	79	..	..	..	..	..	..
B. & N. W.	320	168	..	..	..	..	..	..	379	79	..	..	..	..	..	..
B. B. & C. I. (B. G.)	611	230	..	..	..	..	158	202	473	82	239	73	..	..	..	..
B. B. & C. I. (M. G.)	1,575	188	..	..	..	..	..	..	119	81	..	..	..	..	..	..
E. B.	1,014	213	..	..	21	156	..	..	860	97	92	227	..	..	..	..
E. I.	1,386	223	11	212	..	..	..	..	2,730	87	..	..	..	..	..	..
G. I. P. (Matunga)	1,266	238	216	215	2	106	..	..	537	124	18*	256	33	57	..	..
G. I. P. (Jhansi)	267	238	27	215	22	106	..	126	136	124	..	..	272	96	..	..
M. & S. M.	726	240	..	..	190	160	..	..	503	69	..	..	116	96	..	..
N. W.	840	268	..	..	191	164	..	..	2,718	66	..	..	2,032	95	..	..
R. & K.	14	180	..	..	..	..	..	..	36	66	..	..	..	..	..	..
S. I.	505	288	..	..	340	175	..	..	146	53	..	..	..	..	..	..
TOTAL	9,847	..	254	..	1,236	..	158	..	9,217	..	349	..	2,585	..	..	..

\* Kiln-seasoned from Lilloosh, 1930-31.

**THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK :** With regard to the answer to the various parts of question No. 140, will the information be laid on the table ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** If you so desire, Sir, it will be laid on the table ?

**THE HONOURABLE THE PRESIDENT :** If it is convenient, I would like you to do so.

**THE HONOURABLE SIR GUTHRIE RUSSELL :** Quite convenient, Sir.

#### HARDWAR RAILWAY STATION, EAST INDIAN RAILWAY.

**141. THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD :** (a) Is it a fact that the East Indian Railway earns a huge income from the Hardwar Railway Station in the United Provinces on account of Hardwar being an important pilgrim centre of the Hindus ?

(b) If so, will Government be pleased to give the average yearly income earned by the East Indian Railway from the Hardwar Railway Station ?

(c) Is it a fact that at the Hardwar Railway Station conveyances are not allowed inside the station precincts and that the general public have to leave them on the public road outside the station precincts at a considerable distance from the station building ?

(d) Does this practice result in respectable ladies and gentlemen and aged and infirm pilgrims having to walk all the way from the road to the station and *vice versa* ?

(e) Will Government consider the advisability of remedying this state of affairs ?

**THE HONOURABLE SIR GUTHRIE RUSSELL :** (a) What constitutes a huge income is a matter of opinion ; the earnings are undoubtedly substantial.

(b) Figures of the average yearly earnings are not readily available. In the year 1932-33, the earnings from local passengers amounted to Rs. 2,96,839.

(c) and (d). From the edge of the station verandah to the edge of the public road nearest to the station is a distance of 320 feet. At a point 150 feet from the edge of the road towards the station, there are barrier gates upto which point public vehicles have free access. From this point—the barrier gates—to the station building, a distance of 170 feet, upper class passengers have to walk.

The barrier gates at this position are necessary as otherwise pilgrim traffic, which is principally third class, would be uncontrollable and pilgrims would crowd the station building. Further the approach,—a raised road—is about 50 feet wide only inside the barrier and there is danger of congestion if vehicles are allowed on it. Besides this, the upper class booking office is opposite the barrier gates.

(e) In view of the position explained above, Government do not feel called upon to interfere with the existing arrangements.



**NUMBER AND VALUE OF INDIAN-BRED HORSES SECURED FOR ARMY PURPOSES FROM THE VARIOUS BOUND AND UN-BOUND HORSE-BREEDING AREAS OF THE PUNJAB.**

142. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): With reference to the answer to question No. 77 in the Council of State on the 12th March, 1934, will Government be pleased to state the number and value of Indian-bred horses secured for army purposes from the several horse-breeding areas of the Punjab—bounded and unbounded—separately for the past ten years?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief): A statement showing the number of young stock and full grown horses purchased for the army from the various horse-breeding areas of the Punjab during the past ten years, is laid on the table.

The totals are 10,024 young stock horses and 421 full grown horses. As the average prices are respectively Rs. 230 and Rs. 635, the value of these horses amounted to Rs. 25,72,855.

*Statement of young stock and full grown horses purchased for the army from Punjab horse-breeding areas.*

								Number of young stock horses.	Number of full grown horses.
1924-25.									
Shahpur area	.	.	.	.	.	.	.	516	} 61
Montgomery area	.	.	.	.	.	.	.	245	
Chenab area	.	.	.	.	.	.	.	81	
Rawalpindi area	.	.	.	.	.	.	.	67	
1925-26.									
Shahpur area	.	.	.	.	.	.	.	500	} 40
Montgomery area	.	.	.	.	.	.	.	520*	
Chenab area	.	.	.	.	.	.	.	62	
Rawalpindi area	.	.	.	.	.	.	.	45	
1926-27.									
Shahpur area	.	.	.	.	.	.	.	569	} 35
Montgomery area	.	.	.	.	.	.	.	727*	
Chenab area	.	.	.	.	.	.	.	67	
Rawalpindi area	.	.	.	.	.	.	.	19	
1927-28.									
Shahpur area	.	.	.	.	.	.	.	351	} 33
Montgomery area	.	.	.	.	.	.	.	462	
Chenab area	.	.	.	.	.	.	.	17	
Rawalpindi area	.	.	.	.	.	.	.	13	

\* The increase in the number of purchases followed the lowering of standard. This proved unsatisfactory and was discontinued.

*Statement of young stock and full grown horses purchased for the army from Punjab horse-breeding areas.*

								Number of young stock horses.	Number of full grown horses.
1928-29.									
Shahpur area	.	.	.	.	.	.	.	407	} 34
Montgomery area	.	.	.	.	.	.	.	518	
Chenab area	.	.	.	.	.	.	.	24	
Rawalpindi area	.	.	.	.	.	.	.	2	
1929-30.									
Shahpur area	.	.	.	.	.	.	.	478	} 49
Montgomery area	.	.	.	.	.	.	.	313	
Chenab area	.	.	.	.	.	.	.	55	
Rawalpindi area	.	.	.	.	.	.	.	4	
1930-31.									
Shahpur area	.	.	.	.	.	.	.	428	} 50
Montgomery area	.	.	.	.	.	.	.	409	
Chenab area	.	.	.	.	.	.	.	54	
Rawalpindi area	.	.	.	.	.	.	.	12	
1931-32.									
Shahpur area	.	.	.	.	.	.	.	445	} 40
Montgomery area	.	.	.	.	.	.	.	550	
Chenab area	.	.	.	.	.	.	.	29	
Rawalpindi area	.	.	.	.	.	.	.	5	
1932-33.									
Shahpur area	.	.	.	.	.	.	.	418	} 41
Montgomery area	.	.	.	.	.	.	.	537	
Chenab area	.	.	.	.	.	.	.	40	
Rawalpindi area	.	.	.	.	.	.	.	1	
1933-34.									
Shahpur area	.	.	.	.	.	.	.	509	} 38
Montgomery area	.	.	.	.	.	.	.	494	
Chenab area	.	.	.	.	.	.	.	31	
Rawalpindi area	.	.	.	.	.	.	.	..	
Total	.	{	Shahpur area	.	.	.	.	4,621	} 421
			Montgomery area	.	.	.	.	4,775	
			Chenab area	.	.	.	.	460	
			Rawalpindi area	.	.	.	.	168	
Grand Total								10,024	421

**NATURE OF CONTROL EXERCISED BY GOVERNMENT OVER BOUND HORSE-BREEDING AREAS.**

143. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) What is the nature of control by Government over the bound horse-breeding areas ?

(b) Do Government give help to these bound horse-breeding areas ? If so, in what form for the past ten years ?

**THE HONOURABLE MR. M. G. HALLETT** (on behalf of His Excellency the Commander-in-Chief): (a) The special conditions on which land is granted to bound horse-breeders are laid down in chapter VI, section I, clause 21, of the Punjab Colony Manual, Volume II.

(b) Yes. In addition to the land grants made to the bound horse-breeders, the following facilities have been afforded them in the past :

- (i) Free service of stallions.
- (ii) Free veterinary advice for their mares and young stock.
- (iii) Taccavi loans for the purchase of their mares.
- (iv) Free grazing for their stock.
- (v) Prizes and premiums at horse fairs and shows.
- (vi) Arrangements made on their behalf to lease their fillies to race clubs for racing purposes, before diverting the same to stud.
- (vii) Organized and systematic purchase throughout India of imported and other valuable mares which would otherwise be lost to breeding.
- (viii) Organization of fairs and horse shows to educate breeders in conditioning and managing their stock and to attract dealers with a view to assisting owners in the disposal of such of their stock as is not purchased by Government.

#### FORM OF ENCOURAGEMENT GIVEN BY GOVERNMENT TO UNBOUND HORSE-BREEDING AREAS.

144. **THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to state in what form the unbounded horse-breeding areas are given encouragement by Government ?

**THE HONOURABLE MR. M. G. HALLETT** (on behalf of His Excellency the Commander-in-Chief): Encouragement is given in the following forms :

- (a) Free service of Government stallions for covering mares.
- (b) Free veterinary advice for mares and young stock.
- (c) Prizes and premiums at horse fairs and shows.
- (d) Purchase of young stock by Government before they attain the age of 18 months.
- (e) Organized and systematic purchase throughout India of imported and other valuable mares which would otherwise be lost to breeding.
- (f) Organization of fairs and horse shows to educate breeders in conditioning and managing their stock and to attract dealers with a view to assisting owners in the disposal of such of their stock as is not purchased by Government.

**METHOD ADOPTED BY THE ARMY FOR THE SELECTION AND PURCHASE OF HORSES FROM BOUND AND UNBOUND AREAS.**

145. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to say what is the method adopted by Army Department for the selection and purchases of horses from these bound and unbound areas?

(b) Are selection and purchases made every year?

(c) At what age are animals selected?

(d) What is the average period of service in case of Indian-bred horses and imported horses?

(e) Do Indian-bred horses compare well in service with foreign horses?

(f) Of the latter class, what is the order of superiority among the imported horses of different countries in point of endurance, long service and adaptability to the Indian climate?

THE HONOURABLE MR. M. G. HALLETT (on behalf of His Excellency the Commander-in-Chief): (a) The number of horses, both young stock and full grown, required each year is estimated and fixed by Government with due regard to the needs of the Army in India and the availability of the number in the areas. At their tours of inspection and at horse fairs and shows, timely notice of which is given to breeders, the District Remount Officers purchase horses from the breeders, both bound and unbound. The breeders who have stock to dispose of produce them on the above occasions before the District Remount Officer, who examines them in conjunction with the Veterinary Officer, and if he considers them suitable for army requirements acquires them for Government.

(b) Yes. From September to March each year.

(c) Young stock horses are purchased before they attain the age of 18 months and full grown horses at four years of age and over.

(d) Indian-bred horses . . . . . 10½ years.

Imported horses . . . . . 10 years.

(e) Yes.

(f) There is no order of superiority; each class carries out the work required of it satisfactorily.

**NAMES OF DISTRICT BOARDS IN THE PUNJAB INTERESTED IN HORSE-BREEDING.**

146. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to state the names of district boards in the Punjab where horse-breeding activities are going on?

(b) What is the number of stallions maintained by these district boards for the past ten years?

(c) What is the size and breed of these stallions?

(d) What is the fee, if any, charged per service and the number of services fixed for each stallion per year?

(e) What is the number of years stallions are allowed to serve?

**THE HONOURABLE MR. M. G. HALLETT** (on behalf of His Excellency the Commander-in-Chief): (a) The horse-breeding operations of the following district boards are controlled by the Army Remount Department:

Sargodha, Montgomery, Lyallpur, Jhang, Sheikhupura, Rawalpindi, Jhelum, Gujerat, Attock and Hazara.

It is understood that other district boards are controlled by the Civil Veterinary Department, but Government have no exact information.

(b) The average numbers of horse and donkey stallions maintained by the ten boards named during the past ten years are approximately 86 and 25, respectively.

(c) *Breeds of horse stallions:*

Anglo-Arabs.

Arabs.

Kathiawari.

Marwari.

Indian bred.

*Breeds of donkey stallions:*

American.

Indian.

Stallions suitable for the improvement of the pony breeds required to meet ordinary economic requirements are generally supplied. They average 14 to 15 hands in height.

(d) No fee for covering is charged.

No hard and fast rule is laid down for the number of services for each stallion. The number is dependent on the age and condition of the stallion.

(e) There is no hard and fast rule. Each stallion has to be treated on his own merits with due regard to his fertility and the type of stock he gets.

#### NUMBER OF HORSE-BREEDING COLONIES ESTABLISHED BY GOVERNMENT.

147. **THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) With reference to the answer to question No. 78 on the 12th March, 1934, in the Council of State, will Government be pleased to state the number of horse-breeding colonies established by Government since the recommendation of the 1901 Commission, the years of their establishment, the number of breeding mares and stallions in each circle and the cost of running each circle every year?

(b) What is the number of Indian-bred horses produced, the number and the cost of horses found suitable and purchased by Government for the army and the value of disposal of the misfit horses in each circle every year?

**THE HONOURABLE MR. M. G. HALLETT** (on behalf of His Excellency the Commander-in-Chief) : (a) and (b). The following horse-breeding colonies have been established since 1901 :

The Shahpur area in the Jhelum Canal Colony . . . 1903  
The Montgomery area in the Lower Bari Doab Canal Colony . . . 1922

Government do not consider that the value to be obtained from the information asked for by the Honourable Member for the years 1901 to 1921 would be commensurate with the time and labour involved in collecting it. A statement giving the information asked for for the years from 1922 to date is laid on the table.

The approximate numbers of mares and stallions at present on charge of the areas are—

	No. of mares.	No. of stallions.
Shahpur area . . . . .	4,062	107
Montgomery area . . . . .	3,874	95

The average price of a young stock and a full grown horse is Rs. 230 and Rs. 635, respectively.

The prices realized by breeders for " misfit horses " in each area are not known.

*Cost of horse-breeding areas at Shahpur and Montgomery and numbers of stock produced*

The provision made on account of running the areas from the financial year 1922-23 is shown below :

	Shahpur area.	Montgomery area.
1922-23 . . . . .	1,64,770	96,610
1923-24 . . . . .	1,36,360	1,34,000
1924-25 . . . . .	1,52,210	1,23,380
1925-26 . . . . .	1,52,000	1,57,490
1926-27 . . . . .	1,64,660	1,56,340
1927-28 . . . . .	1,41,990	1,62,880
1928-29 . . . . .	1,37,850	1,44,190
1929-30 . . . . .	1,42,580	1,60,290
1930-31 . . . . .	1,51,333	1,81,175
1931-32 . . . . .	1,50,594	1,79,178
1932-33 . . . . .	1,33,800	1,51,000
1933-34 . . . . .	1,37,090	1,48,718

	No. of young stock horses produced.		No. of young stock horses purchased.		Full grown horses purchased.	
	Shahpur area.	Montgo- mery area.	Shahpur area.	Montgo- mery area.	Shahpur area.	Montgo- mery area.
1922-23 . . . . .	1,720	1,027	526	113	38	10
1923-24 . . . . .	1,640	1,219	487	163	32	22
1924-25 . . . . .	1,671	1,657	516	254	26	14
1925-26 . . . . .	1,645	1,715	500	520	10	20
1926-27 . . . . .	1,839	1,960	569	727	12	19
1927-28 . . . . .	1,708	1,915	351	462	11	20
1928-29 . . . . .	1,707	1,878	407	518	11	22
1929-30 . . . . .	1,642	1,629	478	313	7	39
1930-31 . . . . .	1,577	1,475	428	409	7	39
1931-32 . . . . .	1,444	1,546	445	550	15	20
1932-33 . . . . .	1,700*	1,594*	418	537	3	38
1933-34 . . . . .	(Not yet available)		509	494	3	35

\* Half of these are fillies. The majority of the best fillies are retained by breeders as replacements for the brood stock, and are not, therefore, purchased by Government. An appreciable percentage of casualties from various causes must be deducted from this figure.

## STATEMENT LAID ON THE TABLE.

### USE OF BLACK PAINT BY THE EAST INDIAN AND EASTERN BENGAL RAILWAYS.

**THE HONOURABLE SIR GUTHRIE RUSSELL:** Sir, I lay on the table the information promised in reply to questions Nos. 50 and 51 asked by the Honourable Mr. Jagadish Chandra Banerjee on the 6th March, 1934, regarding paints.

50. (a) The answer to the first and second parts is in the affirmative.

With regard to the third part, the Chief Mechanical Engineer inspected the wagons in May, 1933 and reported that the condition of the paint was fairly good, but on scraping part of the painted panel plates with a knife, it was found that the paint quickly chipped off leaving the surface of the plate exposed. About the same time the Chief Mechanical Engineer inspected a wagon painted four years previously with black oil paint manufactured by Messrs. Jenson and Nicholson, and also found the paint on the wagon to be in fairly good condition. On scraping part of the painted surface with a knife it was found that the paint did not chip but peeled off, and the surface of the panel plates was not so quickly exposed as those painted with Muraco paint.

(b) In view of the reasonably satisfactory results obtained from the use of Muraco special black paint, the Eastern Bengal Railway have ordered 15,220 gallons up to 28th February, 1934.

(c) It is presumed that Messrs. Jenson and Nicholson's "Paint special ready-mixed for underframes and wagon bodies" is referred to. This paint was not tested in the Government Test House before it was accepted against tender No. M.-3530 for 1934-35.

It was accepted against the tender as paint of this make and quality had been found to give satisfactory results on the Eastern Bengal Railway during the previous three years. In this connection it may be explained that, as a general rule, mixed paints are not tested before they are accepted for inclusion in the Indian Stores Department contracts, but are accepted on the basis of results of tests of corresponding stiff paints. In this instance the corresponding stiff paint had previously been tested in the Government Test House and was found to be satisfactory. It may further be explained that a sample of Messrs. Jenson and Nicholson's "Paint black special ready-mixed for underframes and wagon bodies" was tested on the 29th January, 1934, that is to say, before the date on which supplies against the Indian Stores Department contract No. M.-3530 for 1934-35 commenced. The results of the test showed that the composition and staining power of the pigment was similar to or compared favourably with the composition and staining power of the pigment of the firm's standard sample of corresponding stiff paint for underframes and wagon bodies.

51. (a) No.

(b), (c) and (d). Do not arise.

(e) No. Fifty gallons of Jenson and Nicholson's ready-mixed black paint were purchased for test for the first time.

(f) and (h). Accurate figures of the number of wagons painted and the area covered by these 50 gallons are not available.

(g) and (n). It was understood to be the same as it was supplied by the same maker.

(i) Fifty gallons of ready-mixed were purchased for the second time.

(j) Yes.

(k) The area covered was calculated to be 18,060 sq. ft.

(l) Five hundred gallons were purchased to enable an endurance test in service to be made.

(m) and (o). The paint was applied in order to carry out service trials in traffic and not as a test of the covering capacity of the paint.

## BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL: Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 17th, 18th and 19th April, 1934, namely:

A Bill to extend the operation of the Trade Disputes Act, 1929;

A Bill to provide for the imposition and collection of an excise duty on sugar; and

A Bill to regulate the price of sugar-cane intended for use in sugar factories.

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### ELECTION OF A NON-OFFICIAL MEMBER TO THE STANDING COMMITTEE ON EMIGRATION *VICE* THE HONOURABLE SIR KURMA VENKATA REDDI.

THE HONOURABLE THE PRESIDENT: I have to announce that the Honourable Mr. Jagadish Chandra Banerjee is the only Member nominated for election to the Standing Committee on Emigration *vice* the Honourable Sir Kurma Venkata Reddi. I therefore declare him to be duly elected to that Committee.

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### ELECTION OF THREE NON-OFFICIAL MEMBERS TO THE STANDING COMMITTEE FOR ROADS.

THE HONOURABLE THE PRESIDENT: I have also to announce that the Honourable Mr. Miller, the Honourable Mr. Jagadish Chandra Banerjee and the Honourable Diwan Bahadur G. Narayanaswami Chetti have been nominated for election to the Standing Committee for Roads. As there are three seats and only three candidates I declare these Honourable Members duly elected.

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### ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT: The next item of business is to elect six non-official Members to serve on the Central Advisory Council for Railways.

With a view to save time, I have decided not to follow the previous practice on this occasion of stopping the proceedings while the election to the Central Advisory Council for Railways is held. Every Honourable Member will find a ballot paper in his seat. Honourable Members will complete the ballot paper at any time during the course of the sitting or during the luncheon adjournment and will place it in the box on the Secretary's table at any time before the Council adjourns this evening. I bring to the notice of the Council that the Honourable Sardar Buta Singh and the Honourable Mr. Mahmood Suhrawardy have since withdrawn their candidature. The result of the election will be declared at a later date.



**CONGRATULATIONS TO THE HONOURABLE SIR JOSEPH BHORE  
ON THE SUCCESSFUL TERMINATION OF THE INDO-JAPANESE  
NEGOTIATIONS.**

**THE HONOURABLE THE PRESIDENT:** Before we proceed with the Legislative business to day, I propose to take the opportunity of the presence of the Honourable Sir Joseph Bhore in our Council today to offer on behalf of the Council and on my behalf congratulations for the successful Indo-Japanese negotiations which he has just completed to his great credit. (Applause.) After seven months of laborious work and great anxiety the negotiations with Japan have been brought to a favourable conclusion and as all Honourable Members are aware, we the Members of this Council as well as of the Assembly as well as many millions of people employed in agriculture in this country are very grateful to him for the success of the negotiations on a most important and vital industrial question affecting this country. It was not an easy task to solve that problem, but the marvellous mastery which Sir Joseph Bhore had over his subject, his grasp of details, his indefatigable energy and his great patience have all tended to the successful termination of a most important and vital question affecting this country, and we are all exceedingly grateful to him for the skilful and diplomatic manner in which he has dealt with that question. Our pride lies in the fact that this is the first occasion in the history of India in which negotiations have been done with a foreign power and our legitimate pride is that the success of these negotiations is wholly due to an Indian Member of the Commerce and Railway Departments. (Applause.) It is difficult to forecast what will be the ultimate result of this, but I have no doubt that we all hope that these negotiations which he has just concluded with such masterly ability will contribute to the permanent benefit and advantage of this country. His name will always be associated with these negotiations and among the many conspicuous services which he has already rendered to India in his capacity as Commerce Member, the successful conclusion of these negotiations will take the foremost place in the history of this country. (Applause.)

**THE HONOURABLE SIR JOSEPH BHORE** (Commerce and Railway Member): Mr. President, on behalf of my colleagues of the Indian delegation and of myself, may I express our deep appreciation of what you have said about our labours so happily concluded yesterday. You, Mr. President, were right when you described it as a unique event. I would call it a historic event in the history of this country. I will only express the hope that the conversations which have just concluded will serve to cement the relations between the two countries and will redound to the lasting benefit of both. As His Excellency Mr. Sawada said to me this morning, we have fought and fought successfully the battle of peace, and it is the earnest hope of us all that peace and goodwill may continue to endure between the two countries. (Applause.)

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**INDIAN TARIFF (TEXTILE PROTECTION) AMENDMENT BILL.**

**THE HONOURABLE MR. T. A. STEWART** (Commerce Secretary): Sir, I move:

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Bill now before this Honourable House, Sir, is a somewhat complicated piece of legislation and I shall endeavour as briefly as I can and to the best of my ability to explain its scope and nature. Honourable Members

have been for some time in possession of an Explanatory Memorandum which shows in detail the effect of each provision in the Schedule to the Bill and it will only be necessary for me at this stage to deal with its general features. As will be seen from the statement of objects and reasons, the Bill seeks to give effect to certain measures of protection to the Indian Textile Industry and to the Sericultural Industry. I shall deal with these subjects in turn and I start with cotton. Honourable Members will recollect that in 1926-27, the circumstances of the textile industry were the subject of an inquiry by a Tariff Board of which Sir Frank Noyce was the President. The results of that inquiry did not in the opinion of the Government of India establish an indefeasible claim to protection on the part of the industry and though a certain amount of protection was given in respect of yarn in the year 1927 it was not until 1930, after the Hardy inquiry, that a more substantial measure of protection was given. At the same time it was decided that this protection should be in the nature of shelter for three years and that before the end of that period there should be another inquiry by the Tariff Board when the circumstances of the industry would again come under scrutiny and a considered decision would then be taken as to its claim for continued protection. The Tariff Board's report on the industry was presented in November, 1932 and the Bill now before you represents the decisions of the Government of India which have been arrived at after consideration of the report and other relevant circumstances. It may be asked—and the inquiry is a natural one—why Government should have brought forward these proposals after so long a period as 15 months. The explanation is this. At precisely the time when the Tariff Board was investigating the textile industry, there came into operation one of the most striking phenomena that have characterized recent economic history—I refer to the depreciation of the yen. And it was in the period just after the presentation of the Board's report that the most perplexing aspect of the depreciation problem exhibited itself. For once the apparently inevitable did not happen. The advantages accruing from a depreciated currency, which according to all theories should have been temporary, acquired a permanent character. As a result, the greater part of the foundation on which the Tariff Board had based its recommendations, namely, the import prices which prevailed in 1931-32, had slipped away and Government were faced with the problem of building anew. It was not only the textile industry that was affected. Indeed, it became necessary to review the whole question of Indian industry *vis-a-vis* competition from abroad, and it is hardly necessary to recall to Honourable Members the denunciation of the Indo-Japanese Convention a year ago or the initiation of negotiations for a new agreement which started in September last. The facts are these. Last Delhi session the situation was obscure and perplexing and presented a problem that could not be tackled in the midst of a busy legislative session. Nine months ago in Simla the imminence of treaty negotiations again made legislative action inadvisable and it was for these reasons that on two occasions I came before this Honourable House—indeed it was on three—and asked for the extension of the existing provisions of protection to the textile industry. It is only now that a settlement has been arrived at with Japan that Government are in a position to put forward their detailed proposals.

When, as in the present Bill, it is proposed to grant to any industry a measure of protection, it is necessary to consider two questions. Firstly, has the industry fulfilled the conditions precedent which were laid down in the report of the Fiscal Commission and which have been adopted as an

[Mr. T. A. Stewart.]

integral part of our policy of discriminating protection ? Secondly, it has to be asked, what is the measure of the protection required ? The first issue was the subject of a long and detailed analysis by the Tariff Board which will be found in chapter 6 of the report. The Board found that the industry as a whole fulfils the conditions precedent and with this finding the Government of India are not prepared to quarrel. Honourable Members will remember that the conditions laid down are briefly as follows : First, the industry must possess natural advantages. Secondly, that without protection it could not establish itself on a firm foundation. And thirdly, that given protection for a reasonable period, it should thereafter be able to stand on its own legs. I shall not follow the Board in its very full discussion of this issue but I would emphasise that in coming to its conclusions—conclusions which have been accepted by the Government of India—the Board has been influenced not by the necessities of the least efficient mills nor by the capabilities of the most efficient, but by the circumstances and conditions of the mills of reasonable efficiency which form the greater part of the industry. The second question, namely, the measure of protection required, presented a more difficult problem. As I have already said, the foundations on which the Tariff Board had built disappeared almost at the same time as the report was presented. On what foundations then have we built ? The answer is this,—that not only the foundations but also the framework of our protective scheme has been provided by the Indo-Japanese and Bombay-Lancashire Agreements. The essence of the problem before the Tariff Board was to determine the quantum of protection necessary against goods from Japan and the quantum of protection necessary against goods from Lancashire and the agreements which I have mentioned,—copies of which I think were supplied to Honourable Members some time ago—the agreements which I have mentioned provide a solution to that problem. I feel confident that Honourable Members will agree that the restriction of Japanese imports to a moderate figure combined with the maintenance of the import duty at the by no means trifling level of 50 per cent. *ad valorem* may justifiably be taken as a starting point for our protective scheme. While it is admittedly difficult to appraise exactly what would be the protective effect of the restrictions on import, it is the belief of Government that these measures will operate to benefit the Indian industry in two directions. In the first place, the depressing effect of unlimited supplies in the Indian market will be removed and in the second, the limitation of imports will tend to raise prices since the incentive to capture the market by price-cutting no longer exists. I believe that there may be more criticism of the incorporation of the Bombay-Lancashire Agreement into this Bill. It may be said that the Millowners' Association is not representative of the Indian Textile Association and that, even if it were, it is a vicious policy to give recognition to what is after all purely a private arrangement. As regards the representative character of the Millowners' Association of Bombay, I would only say that the Government of India are satisfied that an Association which represents practically half of the Indian industry, which includes in its membership units from widely separated areas throughout India, an Association which is interested in every activity of the textile industry in India is one which is sufficiently qualified to be regarded as representative of the whole and as a judge of its necessities.

As regards the charge that no Government should recognise a private arrangement between two individual business interests, I would ask Honourable Members to consider whether the criterion should be " Who has concluded

the Agreement?" or whether it should not be,—“Is the Agreement good in itself? Is it for the national benefit, regard being had to all interests of the nation?" The Government of India are of opinion that the Bombay-Lancashire Agreement is, on the whole, good in itself and is, on the whole, for the national benefit. The Agreement, by the fact that Lancashire is a party, is a frank recognition of India's right to protect her own industry against the competition of Lancashire, and by the fact that the Millowners' Association is a party, there is clearly defined the measure of protection necessary against that competition. Here then are the outlines of our protective structure so far as the cotton textile industry is concerned. The maximum protection necessary against Lancashire is a duty of 25 per cent. *ad valorem* with an alternative minimum specific duty of four and three-eighths annas per pound in respect of plain grey goods. Against other countries, of which Japan is by far the most important, a level of 50 per cent. *ad valorem* with a minimum specific alternative duty of five and a quarter annas per pound in the case of plain greys has been proposed. If, during the currency of the Bombay-Lancashire Agreement, that is, before the 31st December, 1935, it is found possible to remove the second surcharge on the generality of goods now subject to it, the rates of British goods will be reduced to 20 per cent. *ad valorem* and three and a half annas per pound for the rest of the period of the Agreement.

Cognate with the problem of protecting the Indian industry against cotton goods from abroad is the problem of protecting it against the competition of artificial silk fabrics. In this respect we have perhaps been fortunate in that we have been able to study the operation during the past year of the specific duties which were imposed by the Finance Bill of 1933 on artificial silk fabrics and artificial silk and cotton mixtures. We have found that the minimum specific duty of four annas per square yard on pure artificial silk fabrics has resulted in a contraction of the imports within one year to just about a quarter of their previous volume. The duty of four annas per square yard has therefore been maintained in this case.

THE HONOURABLE MR. HOSSAIN IMAM: Has there been any loss to the Government revenue?

THE HONOURABLE MR. T. A. STEWART: I believe, Sir, that there has been in respect of artificial silk fabrics. The duty on artificial silk mixtures was not so successful in restricting imports and we have proposed an increase. In this case again, the Bombay-Lancashire Agreement has defined the differential necessary between the duties to be applied to goods of British origin and goods of non-British origin.

I would now refer to the duties proposed for cotton yarns, and here we come upon a case of a conflict of interests. From the point of view of the spinning mill, the higher the duties on foreign yarn the better it is, but there is another party to be considered, the handloom weaver, and the Government of India are convinced that in fixing the yarn duties at the rates detailed in Item 158 of the Schedule, they have held the balance fairly between the big scale producer and the small scale user of cotton yarn. Protection has been given over practically the whole range of Indian mill production, *i.e.*, up to 50's count. For finer yarns which are produced in infinitesimal quantities in India and are imported, I believe, almost exclusively for the handloom weavers, no protection is proposed beyond what is afforded by the *ad valorem* rates of revenue duty. It may be said that in imposing a higher duty on

[Mr. T. A. Stewart.]

counts up to 50's than was proposed by the Tariff Board, the Government have ignored the interests of the handloom weaver. It must be realized, however, that the interests of the handloom weaver cannot be safeguarded or promoted by tariff action alone. Government had occasion recently to take into consultation representatives of the Indian handloom weaver and as the result of discussion the opinion was formed that the direction in which action could most profitably be taken would be by encouraging the further organization of the industry and by developing its opportunities for co-operative purchase of raw materials and co-operative marketing of its finished product. It has therefore been decided that so long as the protective duties imposed on yarn by this Bill continue in force, grants-in-aid will be made to the Local Administrations concerned for the furtherance of approved schemes for the development of the handloom industry up to an amount equivalent to the proceeds of a duty of a quarter anna per pound on imported yarns of counts up to 50's. Thus, while apparently our proposals tend to raise the price of yarn up to 50's, they provide for a more direct benefit to the handloom weaver than any advantage which might accrue from a lower duty, an advantage which would inevitably be shared by the middleman supplier. In passing it may also be noted that in the lower counts, say from 16's to 20's, which are most employed by the handloom weaver, the prices are determined rather by internal competition than by competition of imports from abroad.

Honourable Members will notice that it is proposed in this Bill that the period of protection should extend until the 31st March, 1939. The period of protection has been fixed at five years instead of ten years as proposed by the Tariff Board. In deciding on this period of five years Government were influenced on the one hand by the consideration that, in order to stimulate and ensure the internal reorganization of the industry which will enable it ultimately to dispense with protection, the industry must for a reasonable period be guaranteed security. On the other hand, it is just as necessary to ensure that the period of protection should not be so long as to create in the industry a feeling of complacency, a feeling of false security, which would discourage all immediate efforts towards self-help or at least postpone them until it was too late. But though a period of five years has been chosen as reasonable, it does not mean that the duties now imposed are incapable of variation within that period. As has already been said, the duties based on the Bombay-Lancashire Agreement may be lowered during the currency of the Agreement in certain contingencies, and again, on the expiry of that Agreement, it will be necessary to consider afresh in the light of our experience, what duties would be necessary for the future. Similarly, the Indo-Japanese Agreement will terminate in three years and here again a review of the duties necessary will require to be made towards the end of the period of agreement. The fixing of the duration of the Bill at five years is therefore not a guarantee of the continuance of the proposed duties for five years. It is a guarantee, however, that for that period adequate protection will be afforded to the industry.

I now turn to silk, and I believe that this Honourable House will agree with me after reading the Tariff Board's report that the task of investigating the case of the Sericultural Industry for protection was one of the most difficult that has ever faced a Tariff Board. Not only is the industry unorganized, not only is it difficult, sometimes impossible, to obtain accurate figures of production and costs, but it is also extremely difficult to estimate the precise nature of the competition from which it suffers, and equally difficult to appraise the effects of any protective proposals which may be made on its behalf. If

it was difficult to hold the balance fairly between the interests of the mill industry and those of the handloom weaver, it is infinitely more difficult to reconcile the interests of two unorganized cottage industries, silk production and handloom weaving. For this reason, it has been necessary to examine with scrupulous care the proposals of the Board and in some respects to modify them. In the case of the sericultural industry, as with the cotton industry, it is necessary to consider whether it fulfils the conditions prescribed for the grant of protection. The Board has found that this once prosperous industry has natural advantages which, provided certain conditions are fulfilled, will enable it to regain its former prosperity and ultimately to dispense with protection. The Board realizes that by tariffs alone salvation cannot be found. It is essential that help should come from other directions, and I may say that the Government of India are in full agreement with this conclusion and that it will be their earnest preoccupation to discover whether any scheme can be evolved which will assist the silk producer by technological research and advice or in other ways. The importance and potentialities of this important element in the rural economy of India are fully realized and Government are of opinion that its claim to protection is justified. When we come to the question of the degree of protection, we are again faced with many difficulties. The Tariff Board in arriving at its estimate of a fair selling price has assumed a cocoon cost—the most important element of cost in the industry—which is much higher than that in the largest silk-producing area in India, that is to say, in Bengal. It has been necessary therefore to modify the Board's proposal and to adopt a different method of calculation. This method is suggested by the Board's own remarks in paragraph 192 of its report. Here it is suggested that the help necessary is rather of the nature of a safeguarding duty than a true protective duty, and it is on safeguarding lines that the duties now proposed have been calculated. We have gone back to a period when the conditions of the industry were comparatively satisfactory, that is to say, to 1928. We have made allowance for the fall in price levels in the intervening period and we have assumed—a very reasonable assumption—that silk prices must have been affected in the same way as the prices of all other commodities. We have from that calculated what would be the fair selling price today corresponding to the price existing in the period of comparative prosperity. A comparison of this derived selling price with prevailing prices of competitive imports today gives the safeguarding duty now necessary. Honourable Members have I think been supplied with a specimen calculation which illustrates the method I have just described. The actual figure of duty at which we arrived was Rs. 1-7-6 per pound but this we found convenient to express in the form of an *ad valorem* duty of 25 per cent. *plus* a specific duty of 11½ annas per pound. This calculation was based on the price of imported raw silk current in the months of August and September of last year. There has since been a fall in the price of imported silk and the proposed figure was therefore modified in Select Committee and now stand at 25 per cent. *ad valorem plus* 14 annas per pound. As a corollary to the duty imposed on raw silk, an equivalent duty has been proposed on silk yarn, the cost of which may be assumed to be raised to the extent of the raw silk contained in it. Consequential too is the duty on silk piecegoods and Honourable Members will I think realize that in view of the vast range both in quality and price of imported silk piecegoods that it has been no easy task to fix an equitable rate. The proposal of the Tariff Board is most attractive because of its simplicity, but a flat rate of 83 per cent. *ad valorem* possesses two great disadvantages. In the first place, it is ineffective as a protective duty in the event of a fall in prices and it is most ineffective in the case of the cheaper varieties, and it is against these cheaper

[Mr. T. A. Stewart.]

varieties that we are most concerned to secure protection. In the second place, a high *ad valorem* duty places a disproportionate burden on the very highly valued silk fabrics which when imported into India are not really in effective competition with any Indian product. For these reasons we have adopted again the device of a duty which combines an *ad valorem* rate with a specific duty, and after a great deal of consideration and consultation with the trade we are of opinion that the proposals in Item 158E of the Schedule represent on the whole an equitable basis of taxation. As in the case of cotton, a protective period of five years has been regarded as proper.

I may now refer to a few of the more important miscellaneous items contained in the Bill. Artificial silk yarn was formerly dutiable at 18½ per cent. The Silk Tariff Board proposed an almost prohibitive duty of Re. 1 per pound. The Cotton Tariff Board proposed the imposition of the ordinary revenue rate. Government realized that here again there is a conflict of interests. Artificial silk yarn to some extent interferes with pure silk production, but on the other hand it is in great demand as a decorative feature in cotton weaving. The proposal for a 25 per cent. duty is in the nature of a compromise, giving neither a concession on the one hand nor imposing a penalty on the other.

In Items 158F to 158H will be found the definitions of various mixed fabrics. These definitions may at first sight appear somewhat formidable, but if Honourable Members have studied the Memorandum on this subject which was circulated to them I think they will agree that a logical scheme of classification has been evolved. In Item 158L will be found a list of the articles which are made subject to the same *ad valorem* rates of duty as the materials of which they are composed. This is I think an innovation in our tariff and I may explain that the reason for compiling this list and for imposing these duties is that it is intended to prevent evasions of the protective duties by the importation of ready-made articles the manufacture of which involves a very small cost.

In Item 158O our proposals in respect of hosiery will be found. At this stage I will only mention that in the Tariff Amendment Bill which was passed in February of this year, a duty of Rs. 1-8-0 per dozen was imposed on cotton undervests. It was found that this rate per dozen operated very harshly on the smaller sizes of these garments and it was therefore decided—and I hope with more equitable results—that a duty per pound should be substituted, and when the hosiery duty is being turned from a safeguarding duty and placed on the Statute-book as a protective duty, the opportunity has been taken to make the necessary alteration. It has been impossible to deal in detail with every individual item in the Bill. I have tried to confine my remarks to the more important items, but if in the course of the debate Honourable Members should require further elucidation of any particular point, I shall try to satisfy them.

With these words, I commend the Bill to this Honourable House. Sir, I move. (Applause.)

THE HONOURABLE THE PRESIDENT: Motion made:

“That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration.”

To this the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra has tabled an amendment that the Bill, as passed by the Legislative Assembly, be circulated for the purpose of eliciting opinion thereon by the 30th June, 1934. In

my opinion a Motion for circulation cannot be moved in the Chamber other than that in which the Bill has been introduced. Rule 29 provides for the circumstances in which a Motion to refer to Select Committee may be made in the other Chamber and it is clear from the wording of that rule that by implication the rule forbids the moving of an amendment to circulate for opinion. Even in the absence of rule 29, this Motion being of a dilatory character I would not be inclined to permit it under Standing Order 32. It would be wholly unjustifiable to permit such a Motion in the Second Chamber after the Bill had been fully discussed for several days in the Legislative Assembly and comes up before this House for consideration. I am fortified in the view that I have taken by the decisions of my predecessors in office. On the 9th June, 1924, a similar dilatory Motion was moved by Sir Umar Hayat Khan to the Motion that the Bill to provide for the fostering and development of the Steel Industry in British India, as passed by the Legislative Assembly, be taken into consideration. On that occasion my predecessor, Sir Montagu Butler, said :

“ Before I call on the Honourable Member I wish to know whether he wishes to speak for or against the Motion. Under rule 29 he will not be in order in moving the Motion of which he has given notice that the Bill be circulated for opinion ”.

Again on the 22nd of March, 1926, Sir Henry Moncrieff Smith ruled thus :

“ The Indian Legislative Rules, which govern our procedure in this matter, are, I think, quite clear on this point. Whether they are right or wrong, there is no doubt I think that they lay down that when a Bill has been passed in one Chamber, whether in the course of its passage through that Chamber the Bill was referred to a Select Committee or a Joint Committee or not, or whether there was a Motion in that Chamber or not that the Bill should be circulated for opinion, when the Bill, having been passed, comes to the second Chamber, there is no provision whatever for a Motion in that Chamber for circulation of the Bill ”.

Later on again, Sir Henry Moncrieff Smith on the 6th October, 1931, ruled :

“ Rightly or wrongly the rules do not provide for such an amendment in the Second Chamber. The only amendment that can be made in the Second Chamber in certain circumstances is ‘ That the Bill be referred to a Select Committee ’. That is the substance of the Honourable Member’s third amendment ”.

He therefore ruled it out on that occasion. In view of these precedents and in the view that I have entertained of the Motion, I would not permit it.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces West : Non-Muhammadan): On a point of order, Sir. May I draw your attention to rule 71(2), (a) of the Manual of Business and Procedure. That rule says that :

“ at this stage no amendments to the Bill may be moved, but if the Member in charge moves that his Bill be taken into consideration, any Member may move as an amendment that the Bill be referred to a Select Committee or be circulated for the purpose of eliciting opinion thereon by a date to be specified in the motion or——”.

**THE HONOURABLE THE PRESIDENT**: That rule applies to the First Chamber only and it has been carefully considered before and rule 29 is an absolute bar to your amendment.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS** (Punjab : Non-Muhammadan) : Sir, before I deal with the subject-matter of the Bill, I sincerely congratulate the Honourable Sir Joseph Bhole in particular and his



[Rai Bahadur Lala Ram Saran Das.]

colleagues in general on the successful completion of the Indo-Japanese Agreement. It is a matter of additional pleasure to us that an Indian Executive Councillor in the person of Sir Joseph Bhore, of whom we all feel proud, is the first person who on behalf of the Government of India has negotiated an agreement with a foreign power. Sir, the present duty above 50's of six and a quarter per cent. foreign and five per cent. on Great Britain is really no preference to the United Kingdom as the amount of the duty is less on United Kingdom yarns than on Japanese yarns owing to lower price of the latter. There should have been a specific duty same as on yarns below 50's, as asked for in the Mody-Lees Pact. Most of the trouble of the Government is due to delay in the publication of the Tariff Board report. I consider the hosiery section as passed by the other House as one which will do India, especially my province, a deal of good as the Punjab is full of hosiery cottage factories. I am glad to see the heavier vests fully protected as the Punjab cottage factories can make these in summer and woollen vests in winter and so keep working all the year round. It is of great importance that the hosiery industry should buy Indian made yarns. This Bill seems to me to be wrongly called a Cotton Protection Bill as the protection on yarns and piecegoods has been lowered. I understand there was a great fight in the Select Committee and as the voting was equal no recommendation could be made to the Governor General to raise any of these duties with the result that the Bill in this respect could not be altered. As the duty has been lowered on cotton goods from 75 per cent. to 50 per cent. there is no doubt that Japan will send her full quota, and I do hope she will take a commonsense view and obtain for this quota the highest possible price so that the market is not unduly depressed. I also hope, Sir, that according to the Indo-Japanese Agreement, the Kathiawar States shipment of Japanese goods to Ports will also be considered as shipments to India. I am very much afraid, Sir, that the duty on artificial silk and mixed goods is not high enough, the artificial silk goods with wonderful colourings is rapidly replacing cotton goods and I am afraid pure silk goods will become more a luxury than ever and their sale will become more restricted. I am strongly of opinion that Egyptian cotton or the cotton coming from the Soudan and Kenya to India is very much superior in staple, in strength and silkiness to the Punjab, American and other best Indian cottons and so the import duty on cotton means extra cost of production without benefitting the Indian cotton grower or the consumer. In case the duty is taken off, it will give relief to the cotton mills as well as to the handloom industry.

The Honourable Mr. Stewart while making his observations said that the duty on imported yarn mainly affects handweavers of India. I might tell him that as far as we can see they are mainly imported from the United Kingdom and Japan. The duty on imported cotton stands a great deal in the way of cheaper production of the fine yarns. In case that duty is taken off Indian mills who import foreign cotton will be able to manufacture their yarns cheaper and supply these yarns to the handloom industry and thereby succeed in cheapening fine cloth. Sir, I also hope that the reduction in the import duty on cotton piecegoods as stipulated in the Agreement will lead to a rise in prices and stop dumping. I doubt, Sir, whether it will, but in case it will adversely affect the Indian cotton industry, Government will not lose time in revising the Agreement and to put the cotton mill industry of India on a safe footing and put a stop to dumping for good.

THE HONOURABLE SIR JOSEPH BHORE (Commerce and Railway Member): I am grateful to you, Mr. President, for having called on me

at so early a stage in the debate. I must apologise for having risen at this stage but I would like to explain to you, Sir, and to the House that circumstances over which I have no control would have made it impossible for me to take part in the discussion at a later stage. It is for this reason, Sir, that I have taken the somewhat unusual course of rising so early in the debate.

You, Mr. President, and Honourable Members will realise that, after a debate extending over seven or eight days in another place, it is impossible for human ingenuity to devise any new argument or present any new facts which would be relevant to the subject-matter of this debate. It is, however, rather with the idea of commenting generally on the two agreements which so largely form the basis of the protective scheme embodied in the Bill than of embarking on any comment on the details of the Bill that I am venturing, Sir, to take up the time of this House for a few moments this morning.

The House, Sir, is already aware that the recommendations of the Tariff Board visualized a state of affairs in which the Indian textile industry had to face the competition of Japan on the one side and the United Kingdom on the other. The Agreement which has been entered into with Japan and the unofficial conversations between the Millowners' Association, Bombay, and Lancashire have entirely altered the bearings of the problem in regard to outside competition. The Indo-Japanese Agreement, we hope, has definitely set a limit upon Japanese competition and the rates to be imposed upon British cotton textiles have been the subject of agreement between the Millowners' Association, Bombay, and Lancashire. The tariff proposals in this Bill embody the rates of duty contemplated by those two agreements. They form, so to speak, the framework of this Bill, and it is in regard to these two agreements, Sir, that I would like to say a very few words this morning.

First of all, Sir, let me take the agreement between the Millowners' Association, Bombay, and Lancashire. Let us examine without passion, without prejudice, the criticism which has been advanced of an understanding which in my own personal view has done more than any single event of recent times to improve relations and to remove misapprehensions between industrial interests in this country and in the United Kingdom. If you examine, if you analyse that criticism, I think you will find that it rests or purports to rest partly upon the merits of the case and partly upon purely political considerations. Let us take, to begin with, that part of the criticism which rests or purports to rest on the merits.

Now, Sir, I venture to assert that there is no proof whatsoever in support of the contention that the rates embodied in this Bill for goods of British manufacture are rates which do not afford sufficient protection to the Indian industry. It is abundantly clear from the report of the Tariff Board itself that the extremely high rates of duty which are necessary against Japan are wholly unnecessary against British goods and indeed would impose a quite needless burden upon the consumer. If, Sir, that proposition needed further reinforcement, that reinforcement is supplied by the figures given of the comparative prices of Japanese goods and comparable British goods by the Tariff Board itself in the tables on pages 149 and 150 of its report.

If, then, Sir, it is admitted that lower rates of duty are justified as against British goods and that these lower rates are in no way detrimental to the Indian industry, then, Sir, if responsible representatives of the industry itself are prepared to accept such and such rates of duty, surely it is not either for the Government or the Legislature to come in and say "No, you must have

[Sir Joseph Bhore.]

higher rates of duty". Now, Sir, what the Millowners' Association, Bombay, have to all intents and purposes said in this connection is this :

"We are prepared to see the continuance of the existing rates of duty against British goods so long as the second surcharge remains in force as a general measure. When the second surcharge comes off as a general measure, we are prepared to try a lower rate of duty. We are prepared, speaking generally, to see the rate of duty reduced from 25 per cent. *ad valorem* to 20 per cent. *ad valorem* and the specific duty on grey goods reduced from four and three-eighth annas a pound to three and a half annas a pound."

Is or is not Government justified in accepting that position? The answer to that depends upon the standing and the status of those who put forward that position. My Honourable friend Mr. Stewart has dealt with that point, I think, quite effectively. I need only say that the Millowners' Association, Bombay, as pointed out by him, represents certainly not less than half the textile industry of this country. More than half its members come from outside the City of Bombay and there is no important area in the whole of India which is not represented in its list of membership. This, Sir, I can say definitely that that part of the industry which has protested against this Agreement is, I believe, by far the smaller section of the industry and I contend that Government have no option but to accept the verdict of what is definitely the larger section of the industry.

So much for the merits. Let us turn just for a moment to the politics of the matter. If there are people who say whatever the merits we do not wish to have any agreement with Lancashire or with the United Kingdom, that is a perfectly straight issue, the issue of co-operation or non-co-operation. Sir, this country has followed for some time past the path of non-co-operation and we know only too well what the result has been. We have learnt it from bitter experience. I am sure, Sir, that if we were in a position to-day to ascertain the real mind of the country, we would find that the country is overwhelmingly in favour of co-operation, so that Great Britain and India might in a spirit of friendliness and fairness be able to find a way by which both countries would together be enabled to work out their national destinies. My Honourable friend Mr. Stewart has also referred to the criticism which has been raised by certain sections of opinion in this country against the acceptance by Government of agreements between private commercial organizations. Sir, personally I see not only no objection to the acceptance of such agreements but I think there may be great value in such agreements provided always that Government does not abdicate its functions, provided that the hands of Government are free to accept, to reject or to modify such agreements in the interests of the country as a whole and provided also that the legitimate sphere of the Legislature is in no way invaded or curtailed.

Now, Sir, that brings me to the Indo-Japanese Agreement. You, Mr. President, was good enough this morning to say that the overwhelming bulk of opinion in this country had accepted that Agreement. I do not for a moment say that there is no criticism or difference of opinion in regard to details. Such differences there will always be and I am not one of those who consider that the details of this arrangement may not be open to fair criticism. But, Sir, whether the amount of 400 million yards might not have been less, whether the amount of one and a half million bales of cotton might not have been more, whether the categories into which we divided the piece-goods quota might not have been different, whether the percentages which we allowed to each category might not have been changed are and will be matters of opinion. What I would like to say, Sir, is that all these matters were given the most careful

consideration. We discussed them in detail with our non-official advisers over and over again, and if we finally agreed to the figures embodied in the Agreement it was because that was the best compromise that we could in the circumstances of the case obtain. You have to remember one thing and that is, that we went into these negotiations with our hands tied behind us. The boycott of Indian cotton had been in operation for some months and it was in full appreciation of the vulnerability of our position in regard to raw cotton that we had to conduct the negotiations with Japan. Sir, there are some people who say that the boycott was a bluff and that we should have called that bluff. Those who say so seem to me to disregard the clear and inexorable logic of facts and they moreover suggest by implication that such risk as there was might well have been taken by the cotton growers of this country. That, Sir, was a position we could not possibly accept.

Let us turn for a moment to the question of purchases of Indian cotton by Japan. Until two years before the boycott began, Japan had been in the habit of purchasing something like 1,600,000 bales of cotton every year from India. Then suddenly, in the two years to which I refer, their purchase fell to about one million bales a year, and that at a time, mark you, when there was no boycott of Indian cotton, when the cotton textile manufactures of Japan were booming and when they were invading every market in the world. I think, Sir, that shows very clearly that if Japan had decided to press home her boycott of Indian cotton, she would have been able to secure a very large reduction of the one million bales. In order to secure a steady and a comparatively firm market for one and a half million bales of our cotton we had to pay a price. There is nothing in this world that you can get for nothing. At any rate, nobody has revealed to me the secret of getting something for nothing. But what we do contend is that we did not pay an unfair price for what we got, and if in the course of our negotiations we allowed the balance to be weighted somewhat in the interests of the cotton grower, I say there is no one in this House and no one in the country, outside a comparatively small circle of interested critics, who will say that we were wrong.

There has also been levelled a certain amount of criticism, based on another ground, the reasonableness of which I do not for a moment deny, and that criticism is of this nature. It is pointed out that the extension to Japan of most-favoured-nation treatment is fraught with difficulties and may lead to trouble with other foreign countries. It is I think generally admitted that the very high rates of duty which are essential against Japan to protect our indigenous industries are not always necessary against other foreign countries, and it has been pointed out that by according most-favoured-nation treatment to Japan we render ourselves powerless to discriminate in favour of those foreign countries against which we do not need to impose as high rates of duty as against Japan. That criticism, Sir, is a fair one, but I would suggest that it is doing us less than justice for any one to suggest that we were not aware of those facts and did not take the consequences fully into account. As I have more than once pointed out, we had no option but to take the course that we did. If we had insisted upon the exclusion of the most-favoured-nation clause, then I am certain that the negotiations with Japan would have come to an immediate conclusion. I have no hesitation whatsoever in saying that had we insisted upon the exclusion of that clause we would to-day have been without a treaty with Japan. I would say to our critics, what would you have done had you been faced with those circumstances, had you to choose between these two alternatives, namely, according Japan most-favoured-nation treatment or breaking off negotiations? The breaking off of negotiations might well have resulted, Honourable Members will realize,

[Sir Joseph Bhore.]

in serious consequences. It might perhaps have resulted eventually in a tariff war, and I ask those who criticize us to put the case fairly and squarely before themselves and ask what they would have done, what their decision would have been. I have no hesitation in suggesting what their choice would really have been in those circumstances. But, Sir, I would like to point out that nevertheless we have subjected the most-favoured-nation clause to derogation in two respects. In the first place, we have imposed, as Honourable Members are aware, a definite quota which is subject to very stringent restrictions in regard to categories and percentages, and, in the second place, we have reserved to ourselves the right to impose additional duties against Japan in the event of a further depreciation of the yen relative to the rupee. It may be quite true that we may be called upon to face the consequences of having accorded Japan most-favoured treatment. Should that eventuality arise, I hope that it may be possible for us to deal with it through friendly negotiation.

Sir, I would in conclusion refer to a point you, Mr. President, were good enough to refer to in the eloquent terms which you were pleased to use this morning. I would ask the House to realize that the formal official negotiations between India and Japan and the informal conversations between Lancashire and the Millowners' Association, Bombay, mark a momentous stage in our national history. For the first time it has been permitted to us on our own soil, by ourselves, through our own representatives, to hammer out a commercial agreement with the representatives of a great foreign nation, conceived, as we believe it is conceived, in the best interests of the country. For the first time also representatives of Lancashire have come to this country and have laid their case before the Government of India and have asked for what they think is fair and reasonable treatment. Now, I do not for one moment attempt to prophesy what the results of this agreement will be. Economic conditions in the world are so uncertain and so confused that no one would dare to prophesy with any confidence in regard to the future. But whatever may be the result of these agreements, the negotiations with Japan and the unofficial visit of the Lancashire delegates, will always I submit register a notable landmark in the history of India's progress. I would ask, Sir, the House to endorse and endorse emphatically the two agreements which have been embodied in this Bill and which are, through this Bill, submitted to this House for endorsement.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, whatever be the views of those who are against the principle of protection of industries on the ground that the interests of the consumer suffer thereby, I am a protectionist and must therefore support the Bill before the House. Industrialization of the country is India's desideratum and in order that the industries of the country which are still in their infancy may be able to stand on their own legs it is necessary that they should be protected against foreign competition. But I am one of those who believe that an industry should not be propped up by the State for ever lest it may never learn to stand erect. I am of opinion that the State should give protection to a nascent industry for a definite period of time within which the industry should be asked to set its house in order and to reorganize itself so as to be able to dispense with protection by the time the stipulated period is over, as far as possible. And during this period of protection the State should keep a watch over the protected industry and should exercise a certain amount of control over it. Because, left to itself,

there is a danger of the protected industry getting accustomed to artificial props in the shape of protection and never being able to hold its own against foreign competition. These are my views, Sir, about the principle or policy of protection in relation to industries.

Now, judging by this criterion, I am of opinion that the Indian textile industry must be afforded protection because of the menace to our cotton-mill industry from Japan and Germany and the Bill before us therefore deserves our support. After all, in coming to a decision as to what is good or what is bad for a country the interests of the country as a whole have to be considered and in doing so class interests have of times to be disregarded if they happen to clash with the larger interests of the entire population. And eventually it is in the interests of everybody that a country should be able herself to produce all her requirements and be self-contained as far as possible. On these grounds I believe that the textile industry in India should be given protection for a time to permit it to reorganize itself and it is, I think, in the interests of the consumers also that the industry should be allowed to develop within a specific time so that the prices of indigenous manufactures may go down.

But, Sir, side by side with supporting the policy of protection underlying the Bill I must emphasise the need for the Government watching the condition of the textile industry and exercising some amount of control on it, because according to the calculation of one expert the policy of protection within the last four years has thrown no less than Rs. 65 crores of burden on the consumers of the country and yet the industry is demanding even greater protection. And the Tariff Board is unable to say when the industry will be able to dispense with protection. I understand that the Tariff Board has also come to the conclusion that the managing agency system of the cotton textile industry should be statutorily controlled. Unless therefore the Government takes effective measures to see that the manufacturers make genuine efforts to reduce their cost of production and increase their output and to control all such evil factors as tend to prevent the indigenous industry from coming into line with foreign industry, the claim for protection and the extent to which it is necessary cannot be justified. For, when the industry asks the country to share its troubles, the country must have the right to share in those rights which otherwise would be respected as purely private rights.

The next point to which I would like to refer is the question of Imperial preference. As India is dependent upon a number of countries other than the United Kingdom and Japan for the purchase of her agricultural produce, it is in my opinion essential for us in the best interests of the country to maintain the goodwill of those countries who are our best customers. Under the circumstances, we have to see how far preferential tariffs to the United Kingdom and favoured-nation-treatment to Japan under the respective Agreements are likely to prejudice our trade relations with other countries who are our best customers. Sir, in today's papers I noticed that the most-favoured-nation treatment clause has been dropped out of the Indo-Japanese Agreement which is reported to have been signed yesterday here in Delhi. If so, I wonder if it means that there will be 50 per cent. duty on Japanese goods and 25 per cent. against other countries. Sir, I entirely approve of the Indo-Japanese Trade Agreement, although it implicates a preference of 25 per cent. to the British Empire by the inclusion of the most-favoured-nation treatment clause in that Agreement. The underlying feature of this Trade Agreement is the well-known principle of trade by barter: that Japan should buy so much cotton from India and India will buy so much piecegoods from Japan. This essential

[Rai Bahadur Lala Jagdish Prasad.]

principle, namely, exchange of commodities on quota basis did not find a place in the Mody-Lees Pact and hence it has met such wide condemnation. I hope the official negotiations between India and Britain will recognize this essential element of trade negotiations and incorporate in the Agreement compulsory obligations on Lancashire to buy Indian cotton. I understand that even in certain British quarters it is held that Lancashire must buy a minimum of one million bales of cotton from India. I shall no doubt welcome such an agreement.

Sir, I have sounded above a note of warning as to how far Imperial preference to the United Kingdom and favoured-nation-treatment to Japan are likely to prejudice the trade relations of India with other countries who are our best customers. And if nevertheless I approve of the Indo-Japanese Trade Agreement I do so because I find that both this Agreement and the Mody-Lees Pact agree to Imperial preference, though their difference is only in the degree of preference, which means that all sections of commercial opinion in this country have approved and blessed the Imperial preference as the recognized feature in India's commercial relations with Britain; and I believe that this new orientation of policy and outlook in the Indian commercial world will have a far-reaching effect on Indo-British relationship.

One point which I should like to press upon the attention of Government, in order to protect the handloom industry from mill competition, is the need for an agreement by the mill industry not to manufacture cloth of counts below 20 to avoid competition with handloom weavers. In case the mill industry does not agree to enter into such an agreement with the Government, the Government should in my opinion consider the advisability of levying a cess on such mill production in the manner indicated by the Tariff Board in aid of the handloom industry.

Lastly, Sir, I have to point out that the scale of tariff is unfortunately so designed in the Bill as to discriminate against Chinese silk fabrics. From certain figures that I have come across it appears that Japan gets an advantage of 15 to 30 per cent. in certain articles. On the other hand, Chinese silk piecegoods have been represented to me to contain size and therefore of heavier weight in certain cases. This is a point which the Government should scrutinize and if possible so revise the scale of tariff as not to favour Japan against China, a country which is stated to be a friendly consumer of Indian rice and cotton.

With these observations, Sir, I support the Bill.

THE HONOURABLE THE PRESIDENT : As the Moslem Members of the Council have asked me to adjourn the House early today, being Friday, to offer their prayers, I will now adjourn the House till two o'clock; but I may point out to Honourable Members that if necessary I propose to sit after lunch till seven o'clock in the evening. There are several Bills before us which we have to dispose of in the next few days and I would like this Bill to be finished, if possible, this evening.

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The Council then adjourned for Lunch till Two of the Clock.

The Council re-assembled after Lunch at Two of the Clock, the Honourable the President in the Chair.

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**THE HONOURABLE THE PRESIDENT :** The debate will now be resumed.

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR** (Central Provinces : General) : The subject of this Bill, Sir, is a very complicated one and so it deserves serious consideration. The measure embodied in this Bill is to give protection to the textile industry and it is based on two agreements, the Indo-Japanese Agreement and the Mody-Lees Pact. It is also coupled with what we call the Imperial preference policy. I am not one of those, Sir, who believe in Free Trade, as I said the other day, but at the same time I want to state before this House that I desire protection to be given to the textile industry but that for a very short period. I now want to join, Sir, with you in congratulating the Honourable the Commerce Member for bringing to a successful issue the Indo-Japanese Agreement. For the last seven or eight months, the Indian Delegation with the help of their non-official advisers were busy in their task and at some time we thought from the reports that we read in the press that the negotiations were going to break down. But we are happy to find that the Government of India have ultimately succeeded and I hope this Agreement will give some relief to cotton growers as a quota has been agreed upon with regard to the export of cotton from India to Japan. I submit, Sir, that if this basis had been taken into consideration by the millowners when they entered into an agreement with the Lancashire people, that Agreement also would have been appreciated by the producer of cotton in India. It is now, I think, Sir, the duty of Government to take into consideration the depressed condition of the agricultural classes and if possible enter into similar agreements whereby the exports of our cotton will be more and the agriculturists will get a better price from other countries as well. But this Mody-Lees Pact, as it is called, Sir, differs on that ground from the Indo-Japanese Agreement. We were told this morning, Sir, by the Honourable the Commerce Member, to ratify the pact between the millowners and the Lancashire people as according to him it will be in the interest of India. I object to that pact, Sir, on constitutional grounds. Assuming, for argument's sake, that the pact may be in the interests of India I submit it is against constitutional principle to allow a private organization such as the Millowners' Association to enter into a pact with Lancashire with a view to change the tariff policy of India which I think is the sole concern of this Legislature. I am very jealous, Sir, to preserve the rights and privileges of the Indian Legislature. So, from that point of view, I submit the Millowners' Association had no right to enter into a pact with Lancashire to change the tariff policy of India.

**THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY :** Was it not in the interests of the cotton growers of India that they should export more cotton and thereby increase their revenue ?

**THE HONOURABLE MR. VINAYAK VITHAL KALIKAR :** If my friend will wait for a few minutes I will answer that question and I will show him that it is not in the interests of India as a whole.

Sir, the point that I was developing was this, that the Government of India have practically abdicated their powers in favour of a private body in allowing them and ratifying a pact which in fact they had no jurisdiction



[Mr. Vinayak Vithal Kalikar.]

whatsoever to do. The millowners can claim a protective duty, the millowners can enter, I am willing to concede, into a pact with Lancashire for restriction of production but the millowners have no *status quo* whatsoever to enter into a pact with the Lancashire people so that they should change the tariff policy of India as a whole. Then, Sir, what do we find in this Pact? Have the millowners of Bombay any representative capacity on behalf of all the mills of India to enter into this important Pact? The papers that have been supplied to us show that there are various mills throughout India who have not agreed to this Pact and who have protested against it. The Calcutta Mills, the Chamber of Commerce, Calcutta, the Marwari Trades Association, Calcutta, the Cawnpore Mills—

THE HONOURABLE MR. T. A. STEWART: Might I ask the Honourable Member how many mills are owned by the Marwari Chamber of Commerce?

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: Sir, they  
12 Noon. may own no mills or they may own very few  
mills. That is not the point. The point is  
whether all the mills have agreed to this Pact. We see not only from press reports but also from the papers that have been supplied to us that the Ahmedabad Mills also have not agreed to this Pact. I am further told that many of the important mills in India were not consulted when this Pact was entered into with Lancashire.

I now come to the point raised by my Honourable friend Sir Nasarvanji Choksy. I would certainly have agreed to the Pact, as I said before, if Lancashire had agreed to take specifically a certain amount of cotton from us. They have not given us definite promise to that effect. They have given us only vague assurances that they would purchase—

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: They are already taking it as shown by the facts and figures published.

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR: My friend says they have already taken it as the facts and figures show. I may remind my Honourable friend that they had to take it because it was a condition precedent to the Ottawa Agreement. It is not on account of this Pact. If they had not taken it, they would have committed a breach of faith, if I may say so.

Then, Sir, a point was made out in today's debate that India is reaping the fruit of non-co-operation and that we should not non-co-operate with Lancashire or the United Kingdom any further. In this connection, I want to submit before the House the attitude of Lancashire and Manchester industry people after signing the Mody-Lees Pact as shown in their Memorandum to the Joint Parliamentary Committee. Sir, soon after the Pact was entered into and signed, the representatives of Lancashire appeared before the Joint Parliamentary Committee and said in their Memorandum:

"It may be taken that the only avenue of action in regard to which provision has not been made is that of tariff policy".

They further state :

"The British industry is therefore entitled to say that if independent powers are to be given to an elected Government in India, there must be some condition inserted giving the British Government or its representative a right to prevent measures of that kind being put into operation".

That is the attitude they have taken even after signing the Pact. They are perfectly right in taking that attitude so far as their own personal interest is concerned, but we have to see to our own interests, and therefore my quarrel is this. They have taken into consideration their interests but we, who have got to look to the interests of the masses and classes of India, have also to see whether the co-operation that we are going to offer to them is really responsive or not, or is only a one-sided co-operation.

It has been said, Sir, that a great change has taken place in the attitude of the Lancashire industrialists after the signing of the Pact. For that purpose I will quote a sentence from their Memorandum to show what sort of change has taken place in their attitude. During the last two Round Table Conferences, there was no talk whatsoever as regards the Indian tariff policy. After the signing of the Pact, and as a result, recommendations were made by the representatives of Manchester for proposals to give the Governor General or the Secretary of State powers to prevent what is called a political tariff being imposed against Great Britain. I have not been able to follow what this political tariff is. But I want to meet them on their own ground. Supposing we want to impose a political tariff against British goods, I think we have not committed a crime. They say that they are going to transfer power to Indians on a very large scale and therefore they should be given certain safeguards. I submit that if you are not going to give us powers, I have also a right to impose a political tariff against your goods. Apart from this academic discussion of the question I submit that this Pact does not in any way give any specific or definite promise to India and therefore I cannot under the present circumstances of the Pact give my assent to it. They say in their Memorandum :

"A country yielding such powers (that is, the White Paper proposals, I think) is entitled to press for a continuance of the *status quo* in directions vital to our economic life".

So, I submit that this Pact being made over the head of the Legislature and the Government of India, and not containing any specific and definite promise for purchasing our raw cotton, does not deserve to be ratified in the present circumstances.

Then, Sir, under this measure protection is sought to be given to the textile industry. As I said in the beginning, I am not against protection. But I will appeal to the millowners of Bombay, and especially those Honourable Members who are in this House representing the mill industry in Bombay, to try to reduce their expenditure so that the policy of protection may not in any way harm the consumer in the country. The Tariff Board has made certain suggestions for improving the internal organization of the industry and I hope the industry will take those suggestions into consideration and so organize the industry that if they need further protection they will have to prove their case and take also into consideration the harm that is being done to the consumer on account of the present depressed conditions in the country as a whole. The Tariff Board says there are two sorts of mills, first class and second class mills. The first class mills do not require protection ; the second class do. When my Honourable friend Sir Homi Mehta gets up to speak

[Mr. Vinayak Vithal Kalikar.]

I hope I will be enlightened on the point as to what the first class mills have done to help the second class mills which according to the Tariff Board require protection.

THE HONOURABLE SIR HOMI MEHTA : Sir, I presume that the Tariff Board has not said that the first class mills do not require protection. The protection the mills require is not on account of inefficiency but on account of the depreciated exchange between Japan and India.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR : I do not want to come in the way of protection. I do really want to give them protection but my point is that if the Tariff Board have made suggestions and if the mills have not taken those suggestions for improving the organization of the industry and reducing costs of production into consideration, they should do so, so that the general consumer should not be in any way harmed. With these few words, Sir, I resume my seat.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, I very patiently heard the speech made by the Honourable the Commerce Member this morning. He said that his hands were tied in negotiating these treaties. That reminds me of a proverb in Punjabi which runs thus :

“ Nam mera graon tera.”

It means that the village and all its produce and income will be mine and the name will be yours. Well, Sir, if treaties are negotiated in that spirit, what I want to know is what exactly is the benefit which has accrued to the agricultural population of India, that is, to 80 per cent. of the people ? What advantages, what benefits have these treaties brought to us ?

From the statement of objects and reasons as attached to the Bill, it appears that it is intended to give effect to the Indo-Japanese Trade Convention and the un-official Agreement between representatives of the Indian and United Kingdom Textile Industries at Bombay. As far as I understand there has been a great hue and cry against the conclusion of these agreements and especially the Agreement between the Millowners' Association, Bombay, and the British Textile Mission to India because it is looked upon as seriously detrimental to the interests of this country. As a matter of fact, the protection enjoyed at present by the textile industry of India against the imports from Lancashire is 25 per cent. This is by virtue of the Cotton Textile Industry (Protection) Act of 1930 which is desired to cease in its effects from the 31st March, 1934 by a Bill of the same name and under discussion of this House at this moment. According to the calculation of the textile industry experts the protection already enjoyed by this industry works out at 17½ per cent. instead of 25 per cent. The Lancashire-Bombay Agreement is feared to aim at the reduction of the protection from 17½ per cent. to 12½ per cent. In case it is going to prove so, it will surely encourage larger imports from Lancashire to the detriment of the Indian industry. This is indeed a bad thing, for the textile business of India is still in its infancy and is not so organized as its foreign competitors. The reduction of protective duty will no doubt impede its further growth at a time when it requires every sort of encouragement to let it flourish without any check or impediment.

Sir, the cutting short of this industry at this moment is feared to hit hard the agriculturists also. When the industry is not in a flourishing condition, it will most surely affect the price of raw cotton. As an agriculturist myself I know fully well to what serious plight the grower of products in India has been reduced. It is no use telling us that since other people are suffering the people of India should also suffer. Honestly speaking, Indian agriculturists are living on the verge of starvation and whatever margin of income there is at present of raw cotton on account of the protective duty against foreign imports, will also be lost sight of by any sort of reduction in it and thereby encouraging foreign imports into India against the home industry.

I hope there must have been representations from various textile concerns against the ratification of this sort of agreement between the Millowners of Bombay and the British Textile Mission to India by the Government of India ; in case my expectations turn out to be true I think there must be some very cogent reasons for the Government of India carrying out its ratification in the form of the present Bill in the teeth of such opposition and in case of their being convincing ones I have no hesitation but to support the passage of the Bill. But before recording my vote I would like to know what advantages are accrued to the agriculturist population of India. Surely, if Lancashire is not going to take the Indian cotton to any great extent and they prefer the American cotton, then why should we be made the milking goat for the sake of those people who would not like to buy our Indian products ? If the Lancashire people would like to show preference to the Indian product we will be then willing to suffer for Lancashire, as being an integral part of the British Empire we must prefer the industries of the Empire to those of the outside world, but when as a member of the Empire no consideration is shown to the Indian product, I do not see why India should be asked to suffer patiently all the inconveniences that are brought against the Indian product simply to extend favour to some other country and patronize the product of that country in preference to those of India. If our Indian product is favourably looked upon and it is bought in the spirit of the product of the Empire, we will wholeheartedly extend our arms to the manufactured articles of Britain and the British Empire. But, Sir, when no wheat and other produce and very little Indian cotton is exported to England and the markets of Karachi and Bombay which used to be filled up with Indian products for shipment to England and other Continental countries are at a stand still, it is very difficult for an Indian to reconcile himself to the lowering of the import duties, especially on the goods of those countries who have closed their markets on Indian products.

Secondly, Sir, if these duties are reduced, what will be the fall in the Government of India revenues and particularly to the Finance Department who only know the gospel of taxation and are never slow to bring in some fresh taxation on the impoverished and down-trodden people of India ? How is this fall of revenue to be made good by the lords of the Finance Department, who according to the statement of their Secretary, Mr. Taylor, have no fixed rules, regulation, maxims or canons of taxation and who do not care for the consent of those being taxed but know how to fill in the coffers of the treasury by the balancing of their budget ? Well, Sir, is their deficit budget next year on account of lowering these custom duties got to be balanced by the tax-payers on the plea that necessity knows no bounds and the ukase of the autocrat and unprincipled Tsar of this department is going to balance his budget simply by his exaction, because according to the canons of this Department no Indian ought to have any money, and it is a sin and crime for an Indian to possess any money ? Our request for the reduction of taxation always fall on the deaf

[Major Nawab Sir Mahomed Akbar Khan.]

ears of this Department. All the countries of the world have reduced their rate of taxation but not the Finance Department of the Government of India, who have never been taught to cut their coat according to their measurement ; they will cut a piece and when they find their piece cut to be too small, they will then throw it away and next time cut such a long piece that it is more than their measured requirement, and they will again cut a piece from their excessive piece and say here it is an adjustment and the balancing of their budget.

In short we will be willing to reduce the import duties on English and Empire goods on the understanding that reciprocity is shown to us with regard to our Indian product as used to be the case in the pre-war days. I am sorry to say no effort has been made to revive the prices of the Indian product and both the ports of Bombay and Karachi which used to be full of Indian products for exportation to England and other Continental countries are absolutely closed to the agriculturists of Northern India ; if the Government of India are to exert themselves about the exportation of Indian products to England and the other countries of the Empire, we will be willing to give preference to English and Empire goods, because the duties on imports and exports of articles will be a gain to the treasury of the Commonwealth and not to other foreign countries of the world, but England and other countries of the British Empire ought to have some compassion, commiseration, sympathy for the Indian product too, which is after all the product of a dependent country considered to be an integral part of the British Empire.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadian) : Sir, the Bill that has come before us contains certain very important principles, especially the Indo-Japanese Agreement and the Mody-Lees Agreement. Sir, these agreements have not yet been fully discussed in either House nor have they been ratified, but I am surprised that a Bill has been drafted on the terms of those agreements and not only presented but is going to be passed by both Houses. Sir, it was only last evening after 6 P.M., that the Indo-Japanese Agreement was signed when the Bill had been passed in the other House. I do not know how far it was reasonable or how far it has facilitated matters for the termination of that Agreement. Sir, the Bill is of a very complex nature and I am afraid the points on which it has been drafted have not been thoroughly discussed and inquired into. For this, Sir, I would quote from the speech of the Honourable the Commerce Member who has admitted the complex nature of this Bill and has pleaded for many lacunæ in the Bill. He said, Sir, in the other House :

“ Sir, I confess that I have never before ”——

THE HONOURABLE THE PRESIDENT : Order, order. Are you quoting from the speech of the Honourable the Commerce Member in the other House made in this session ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Yes, Sir.

THE HONOURABLE THE PRESIDENT : I may mention that I have given this matter some consideration. I myself was doubtful on a former occasion, when Sir Guthrie Russell quoted an extract from the speech of the

Honourable the Commerce Member in the other House, but I allowed him to quote that reference? I may point out, however, since then I have looked up the authorities and though I admit there has been relaxation of that rule on some important matters, I have found that ordinarily such extracts from the current session are not allowed to be quoted. In the House of Commons there have been rare exceptions made in some cases. I think it is advantageous to establish a somewhat uniform practice in this House not to read from speeches made in the other House during the current session; but the Honourable Member can make use of those remarks made by the Commerce Member and express them as his own.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR : May I draw your attention to one aspect of this question? It might be that printed copies of those speeches are not available in the same session; it might be for that reason that the citation from those speeches are not allowed. But in case printed copies are available there is not the least doubt that Honourable Members have made those statements, and in that case, where is the difficulty in allowing those statements to be quoted?

THE HONOURABLE THE PRESIDENT: I am only referring to the practice. It is not whether Honourable Members have in their possession printed copies of the speeches or not; that makes no difference in the case. Parliamentary practice has been not to permit the using of extracts made during the current session. I am prepared to follow that ruling. It has been followed by my predecessors here in former years and I do not wish to depart from established practice.

THE HONOURABLE MR. HOSSAIN IMAM: May I draw your attention, although I bow to your ruling, to the fact that our position and the position of the House of Commons are quite different; neither have we all the rights and privileges of the House of Commons, and therefore these restraints should not be applied to us. We do not have the opportunity of full discussion that the Assembly have and it is sometimes necessary to give quotations from the other place because of the fact that Government Members may have made some remarks which have not been repeated in this House to bring it to notice.

For these reasons, Sir, I would appeal to you to reconsider your decision before you give your final ruling.

THE HONOURABLE THE PRESIDENT: I do not propose to depart from the practice established in this House as well as in the Assembly and also in the Provincial Councils. I would sooner be guided by the Parliamentary practice in this matter and I do not therefore propose to reconsider my decision.

THE HONOURABLE RAJ BAHADUR LAJA MATHURA PRASAD MEHROTRA: Sir, if it is your ruling I will not quote from the speech of the Honourable the Commerce Member but he meant that the problem was very complex and it has not been fully discussed and examined. Sir, when he was of the same opinion, if we also think that it has not been properly examined I think we are perfectly justified. As we all know, Sir, and as later on has been accepted by the Commerce Member also in his speech, the Bill has been

[ Rai Bahadur Lala Mathura Prasad Mehrotra. ]

drafted and amendments have been carried in Select Committee against the recommendations of the Tariff Board's report. This is one of the rare occasions on which the Government has disagreed with the recommendations of the Tariff Board and then, Sir, it was very proper that the matter should have been thrashed out by further examination of witnesses in the Select Committee. But, Sir, I regret to find that no evidence was recorded in the Select Committee. Also, Sir, the Bill was passed in three days' time in the other House and had it not been settled by the Party leaders to finish in three days, I am sure the Bill, in view of the circumstances in which it had been drafted, would have taken at least two weeks in the other House to go through.

Now, Sir, I come to the two agreements that have been so much talked about and on the terms of which the Bill has been drafted. Sir, so far as the Indo-Japanese Agreement is concerned there are four special points to which our attention has been drawn by the Honourable the Commerce Member. Firstly, Sir, a quota has been fixed for import as for the export of cotton from this country. Secondly, Sir, Japan has to purchase, as I have said, about one and a half million bales of cotton from this country. Sir, so far as these two terms are concerned, we are very thankful to the Honourable the Commerce Member for arriving at such an Agreement. But I am afraid a very important feature has been left out of that Agreement and it is about the shipping of these goods from and to India. Sir, Japan controls the shipping of goods both from and to India and I think when the Agreement was going to be signed this matter should have been settled in the interests of this country and the Indian ships should have been given a chance of carrying their goods to Japan as well as bringing goods from that country as is done by Japan in a sort of monopoly.

Sir, so far as the other agreement, well-known as the Mody-Lees Agreement, is concerned, the Honourable the Commerce Member has just said that it is in the interests of the nation. Sir, I beg to differ from him. This Agreement has been arrived at by the millowners of Bombay alone. I am told by the Honourable the Commerce Member that this is the biggest and most representative Association, and if that Association agrees to reduce the import duty by five per cent, the Government has no hesitation at all in accepting it. Sir, I find from the Tariff Board report that there are about 361 mills in India and out of these 361 mills the Bombay mills represent only 101. Out of these 101 mills, Sir, Bombay City itself is responsible for as many as 73 mills. Out of these 73 mills, about 40 have collapsed on account of the general depression, so the result comes to this, that this Association represents about 60 mills only. With these 60 mills we are told that this Association represents all the mills of India. We have got, Sir, opinions which have been circulated to us and from these papers we find that the Calcutta Chambers, the Cawnpore Chambers, and the Ahmedabad Millowners, the Baroda Millowners and many other millowners of different places have protested against this Agreement. I will not waste the time of the House by quoting separately from every association but I have given the important names and there are more than a dozen representations that have been made to the Government of India and protested against this Agreement. Sir, may I have your permission to give quotations from the letters of these Millowners' Associations that have been made use of in the other House—not the speeches but the quotations ?

**THE HONOURABLE THE PRESIDENT :** Yes, certainly.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Sir, I will only quote two opinions on this point—one from the Committee of Federation which says :

“The Committee of the Federation protest against the action of the Government of India in fixing in the recent Indian Tariff (Textile Protection) Amendment Bill on imports from Lancashire a lower rate of duty than that unanimously recommended by the Tariff Board, and in adopting the terms of the Bombay-Lancashire Agreement, despite general protests throughout the country. The Committee suggest that Government should take steps to amend the Bill by excluding that portion thereof which relates to duties and other conditions in the terms of the Bombay-Lancashire Agreement, and obtain public opinion thereon, maintaining in the meanwhile at least the present scale of duties on Lancashire imports”.

The Ahmedabad Millowners' Association says :

“My Association therefore respectfully submits that the present Tariff Act be extended for a period of six months and Government be pleased to ascertain the commercial opinion before proceeding with the measure, particularly in view of the opposition from all quarters except Bombay to the uncalled for concessions granted to the United Kingdom by the Bombay-Lancashire pact”.

Sir, one of the experts, I mean Mr. Walchand Hirachand, writes about this Pact as follows :

“The cotton millowners of Bombay Island started, to use a Sanskrit saying as recently repeated by the Right Honourable Mr. Sastri, to make a deity (Vinayak) of Lancashire, but their enthusiastic follower (here he mentioned a name which I will not take) out-did them in the fervour of his enthusiasm by developing and practising the ‘gesture’ a little further and produced instead a monkey in the shape of his Bill or amendment”.

Then he goes on to criticise the persons who were concerned with this Agreement. I had better leave that out. Sir, as I have said, it is not in the interests of the nation because on the one side the Bombay Millowners' Association had agreed to reduce the duty by five per cent. and have not fixed any quota for the export of cotton from India. Everything is hypothetical—whether they will purchase more cotton. Sir, to rely on the assurance that we are going to reduce the duty, I think is not proper or reasonable. The assurance is only private and has no force from the Government of Britain as well. We find in the Bill that while the duties on British manufactures have been reduced, the duties not only on Japan but all European countries have been increased. You will find that on cotton twist and yarn, of counts above 50's, the duty on British manufacture is five per cent. while on non-British manufacture the duty is six and a quarter per cent. On cotton fabrics, of British manufacture, the duty is 25 per cent. and not of British manufacture, 50 per cent. On fabrics, not otherwise specified, containing more than 90 per cent. of artificial silk, of British manufacture, the duty is 30 per cent. and not of British manufacture, 50 per cent. Similarly, Sir, as regards fabrics, not otherwise specified containing not more than ten per cent. silk and more than ten per cent. and not more than 90 per cent. artificial silk, of British manufacture, the duty is 30 per cent. and not of British manufacture, 50 per cent. In this way, Sir, we find that not only Japan, which was the real competitor in India of the United Kingdom, but all the other countries, e.g., America, Italy and Germany, have been penalized for the sake of the United Kingdom. And what is the result ?

**THE HONOURABLE SIR HOMI MEHTA :** For the sake of Japan, not the United Kingdom.



**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** Yes. The result is that the consumer will have to suffer and pay much more.

Sir, I am not against protection. I am entirely in favour of protection. But I want that it should be for a definite period ; it should be high enough to allow an industry to be developed in that period when it can be removed, and the consumers will have to pay less in the future. What I find from this Bill is that this will not be the case. I do not think my friend Sir Homi Mehta is pleased with this Bill. He wants more protection and he is not satisfied with the protection that has been given in this Bill. The result will be that the industry will be trying to make the two ends meet during this period of protection, the consumers will have to pay more, but no result will eventuate even after the five years for which protection is being given under this Bill. Sir, I am against this policy.

Then, Sir, the handloom industry has not been given the same protection as the mill industry has been given. Millions of people depend upon this industry which is carried on everywhere in India by the middle class and poor people. I am of opinion that the protection that has been given to yarn may benefit the mills but will not benefit this industry. From the Bill I find that the indirect taxation will be increased from 23 to 31 per cent. I would like to know from the Government what will be the revenue result out of this Bill, whether the Government will be a loser in revenue or whether they will get more on account of this enhancement of duties ? Sir, I am afraid that Government may not do the same thing as they have done in the case of the sugar industry. They enhanced the import duty for a certain period and before that period came to an end, they levied a very high excise duty on mills which had sprung up out of that protection.

I am afraid, Sir, that the Government may do the same thing with our cotton industry too. If they have got any such idea it would be only fair to give warning of that at the very beginning, so that people may know where they stand. Otherwise, just as people have been deceived in regard to the sugar protection, they may also be deceived in regard to cotton protection. I hope the Government in replying to this debate will explain the position on this point, as well as the effect of this measure on the revenues of India.

**THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE** (East Bengal : Non-Muhammadan) : Sir, we had been given an opportunity of listening to a most interesting and illuminating address by my friend the Honourable the Commerce Member whom we all welcome here to-day and particularly after the successful termination of the Indo-Japanese Agreement a reference to which had been made in suitable terms from the Chair this morning. My Honourable friend the Commerce Secretary, who is responsible for piloting this important Bill in this House, has also shown us by facts and figures in his speech the importance of passing this particular measure at this present moment but, Sir, I regret that it is not possible for me to see eye to eye with some of the arguments advanced on this behalf about which I am going to deal very briefly in my speech before the House.

Sir, the very name of the Bill—Tariff Amendment Bill—is a misnomer. Tariff Bills are always revenue Bills whereas the present Bill is professed to be primarily for the purposes of protection to the cotton textile industry and silk industry in India. I do not understand why Government took this

dubious name. I have my suspicions that though the Bill is to all intents and purposes a protective measure yet the rates of duties are being manipulated in such a way as to be a revenue earning Bill.

Sir, protective rates of tariff in protective measures are always losing concerns so far as Government revenue is concerned. Before the Bill is finally passed I would ask the Government to give us a rough idea as to the amounts by which the Government will be better off or worse off in regard to each of the items dealt with in the Schedule to the Bill in comparison with the yields of revenue from those articles for each of the last three years.

To my mind the appropriate name of the Bill should have been "*Bombay cum Government Exploitation Bill*". Had this Bill been a protective measure the period of protection should have been mentioned in the Bill, whereas nothing of that sort is to be found in the present Bill.

THE HONOURABLE MR. T. A. STEWART : Might I refer the Honourable Member to the fourth clause of the Bill ?

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : I am coming to that. The Bombay textile industry agitated, and agitated hard, for the abolition of the excise duty. When the excise duty was abolished the revenue duty on textile goods indirectly gave some amount of protection to the Bombay textiles. The Bombay textiles were not satisfied with it and agitated for further protection during the last fifty years or so. Their agitation all throughout was not against any particular country but they agitated for a general protective tariff wall. The country as a whole also took the side of the Bombay mills and the agitation went on unabated for about half a century or more for such protection. But, Sir, as soon as the Bombay mills made the *Mody-Les* Pact by which they are prepared to allow Manchester goods to enter India at a lower rate and compete with their own articles, the bottom of the whole case for protection for the Bombay textiles has, I think, been knocked out. When industries require protection they need to be protected from all competitions and not the protection from one competitor as in the present case of Japan. The *Mody-Les* Pact, which is the foundation of this present measure, is the first departure from our old objective of protecting our textile industry from all competitors irrespective of caste, creed or colour. It was a pact for exploiting the Indian masses by Manchester on the one hand and the Bombay mills on the other by driving out the third competitor like Japan. The Bombay mills have become so powerful by protection that they can ignore the claims of the consumers' interests and can have the protective duty for a longer period than is required. This position was envisaged by the Fiscal Commission as far back as 1922. The Fiscal Commission reported amongst other things as follows and, with your permission, Sir, I read the following extract :

"We have now stated generally the principles in accordance with which we hold the protective duties may be imposed, but the function of the State is not completed when a duty has been imposed. If protection follows the lines which we contemplate, most of the protected industries will after a longer or shorter period be in a position to dispense with protection altogether, or at any rate to maintain themselves with a considerably reduced measure of assistance. No one who has studied the history of protectionist countries can be blind to the fact that it is far easier to impose a protective duty than to reduce or abolish it. As an industry grows eccentrically, its political influence also grows, and it is in a position to exert considerable pressure on the body that has the power to modify the duty. It may be accepted as the general experience that protective duties are continued for too long a period and at unnecessarily high rates".

[Mr. Jagadish Chandra Banerjee.]

Sir, it is a wonder that the Bombay mills only in the whole of India are losing concerns. It is a matter of common knowledge that Bombay is suffering from two causes. Firstly and mainly, due to the old types of machinery which requires to be changed lock, stock and barrel, otherwise it is not possible for them to compete with other mills even within Indian limits, not to speak of competition from Manchester and Japan. Secondly, the Tariff Board on the textile industry concluded that the managing system prevailing in Bombay mills should be controlled by statute. But nothing has been done in that direction. In this connection I must express that I entirely agree with the views expressed in the minute of dissent attached to the report of the Select Committee to which the Bill was referred, by Mr. B. Sitarama Raju, Mr. B. Das and Dr. Ziauddin Ahmad. With your permission, I will read some extracts :

"The Indian mill industry is domineered by managing agency system of firms. The Tariff Board on the cotton textile industry had come to the conclusion that this managing agency system should be statutorily controlled. The revision of the Indian Companies Act is long overdue. The Government members of the Committee assured us that the Government propose to take steps in making changes in the Indian Companies Act.

"We regret to have to note that we are not given any indication of the nature of the steps they propose to take. We desire to express our opinion that unless the Government take effective measures to deal with inter-mill finance and check the system of finances, block capital, expenditure and the system of commissions, and other evils associated with the managing agency system, and control the other factors arising out of the financial interests of managing agents in subsidiary services, the claim for protection and the extent to which it is necessary cannot be justified. When the industry asks the country to share its troubles, the country must have the right to share in those rights which otherwise would be respected as purely private rights".

Sir, I go a step further and say that Government should not have come forward with this indirect legislation before removing the defects in the management of the Bombay mills. I do not see any reason why the existing system ———

THE HONOURABLE SIR HOMI MEHTA : May I interrupt the speaker for one second ? Is he talking with the knowledge that he has of the Bombay mills or after reading the report of what passed in the Assembly ? If the latter, he is very much incorrect.

THE HONOURABLE THE PRESIDENT : He is expressing the views of those three Honourable Members who wrote dissenting minutes and who knew nothing much of the subject.

THE HONOURABLE SIR HOMI MEHTA : The present speaker does not know even the ABC of the mill industry. He is talking of a subject which he does not know and is taking up the time of the House unnecessarily. I would like him to say these things outside the House and then I could challenge him.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Sir, I thank you. I am not going to speak on what my Honourable friend Sir Homi Mehta has referred to. I do not see any reason why the existing system of working of the Bombay mills through the agency system which are obsolete and old should be taken as the standard for fixing the protection required.

Sir, my friends from Bombay may well forget the remarks they made against my poor province because in her dire distress the Government of India desired to give her some relief and which was a legitimate claim of Bengal since the Meston Award—

THE HONOURABLE SIR HOMI MEHTA : What has it to do with the Bill before us ? It has no connection at all.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : It is a passing remark.

THE HONOURABLE SIR HOMI MEHTA : It is very much passing.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : I want a ruling, Sir, whether I am to be interrupted like this.

THE HONOURABLE THE PRESIDENT : Please proceed with your speech.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : But they must now remember that it is the consumers of Bengal mostly who will have to foot the bill of this protection cost to the Bombay textile.

THE HONOURABLE SIR HOMI MEHTA : But they are not the only people in India, Sir. I repeat it.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE : Capitalists are always capitalists and the word connotes that they can well afford to lose a few rupees here or a few rupees there, but to ask the consumers to pay from their meagre income to make the fat capitalists of Bombay fatter and fatter is nothing short of a scandal.

In conclusion, I may summarise my position by stating that I am a staunch protectionist and I should like to see Government bring in undiluted protective measures and not an overt measure covered with other intentions than protection.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal : Muhammadan) : Sir, I desire to confine myself to a single aspect of the measure in which Indian merchants and consumers in Bengal are vitally interested. I refer to the proposed duty on fleecy shirts and vests. Sir, the article concerned is very extensively used by agriculturists throughout Northern India as their main shield against the rigours of the cold weather.

These fleecy shirts, or vests, Sir, are not manufactured in India. It is true that some samples of these have been produced as evidence to the contrary, but I am prepared to issue a challenge to any factory in India to produce invoices showing any large orders secured by them for their fleecy shirts made in India. One of the largest firms of hosiery merchants in Calcutta obtained machinery and equipment for the manufacture of these goods in India, but it was found impossible to secure the personnel to work the machines locally, and the machinery and equipment was disposed of at a tremendous sacrifice. The fact is that India have not so far produced these fleecy shirts and vests in any appreciable quantity at all.

That these come from Japan is no fault of the poor consumers in India who buy them and find them within the reach of their slender purse. It is also open to serious question that if these imports from Japan were stopped, Indian manufacturers would be in a position to supply fleecy shirts, or vests, at a price at which Japan supplies them.

[Mr. Mahmood Suhrawardy.]

The price of Japanese fleecy vests of 6 lbs. weight to the dozen is *c. i. f.* (cost including freight) Rs. 4-3-7 a dozen and of 9 lbs. 8 oz. weight *c. i. f.* Rs. 5-11-0 a dozen, so that with the import duty at 25 per cent., as it was up to 22nd December, 1932, the retail price for the poor agriculturists and consumers generally works out at about ten or twelve annas each. The new import duty in the Bill before the House works out in the case of fleecy vests weighing 6 lbs. to the dozen at Rs. 4-8-0 a dozen, or 106 per cent., and in the case of vests of 9 lbs. 8 oz. to the dozen, Rs. 7-2-0 a dozen, or 126 per cent. It is intended to mulct the poor consumer in India to the amount of the duty, for it is not the Japanese manufacturers who would pay the duty, for the lack of enterprise of Indian manufacturers who have been unable to deliver the goods he requires to the consumer.

Sir, this will cause the millions of users of these fleecy vests in India concrete physical hardship, without any hope of relief from Indian manufacturers for whose sake they are being asked to pass their shivering days in the winter, particularly in Northern India, that, with the new duty in force, Indian manufacturers would promptly place on the market these goods of the same pattern, price and quality as the Japanese.

Sir, the Honourable the Commerce Member, in the other place, very reasonably gave an assurance that :

“ If after inquiries, the Government found there was justification for making fleecy undervests a separate class, then the Government would have no hesitation in doing so ”.

May I respectfully submit, Sir, that this implied admission by the Honourable the Commerce Member that fleecy undervests have been included in articles on which the new duty of twelve annas a pound is to be imposed without inquiries which were necessary, involving, as the question does, not only the extensive financial interests of a large body of Indian merchants, but also the physical comfort, efficiency and well being of millions of consumers, strengthens my plea for the transference, for the time being, until enquiries of the Government into the subject are completed, of fleecy undervests to the category of “ Hosiery not otherwise specified ” liable to the new duty of 35 per cent., instead of 106 to 126 per cent. This will be bare justice both to the Indian merchants and the consumers. At the same time, I beg to urge upon the Government the vital importance of instituting, as early as possible, enquiries to ascertain the exact position in regard to the production in India of these fleecy vests and the trade in them.

Sir, with the exception of this feature of the Bill before the House, I support the measure.

THE HONOURABLE SIR HOMI MEHTA (Bombay : Non-Muhammadan): Sir, we have heard in this House all that has been said by several Honourable friends ; also the things that have been said about the textile industry in the Assembly. This Indian Tariff Act, which is now presented in this House for being passed, is the outcome, firstly, of the Tariff Board's Report in 1932, secondly, of the negotiations between Sir Joseph Bore and the Japanese delegation to substantiate the duties between India and Japan, and thirdly, of the Mody-Lees Pact. The most fundamental thing in this question is, “ Why does India want protection in the cotton mill industry ? ” The industry is 60 or more years old. It carried on the affairs of the industry during that period without any protective duty of any kind. On the contrary it paid for

a number of years the excise duty on all cloth that they manufactured to the Government of India for the purposes of revenue. Now, what has happened to that industry that after going on for such a number of years it has come to such a crisis as to come before the House and beg of them to give them protection? Certainly, nobody in this House is going to put forward the charge that an industry that was being carried on for 60 years honestly, now within these last few years, five or six years, is being carried on so dishonestly that it had to come here with a beggar's bowl to ask for protection. There must be something else behind it and it would be only logical and fair to the industry to find out what are the real causes which have brought about this state of affairs. And, Sir, I am going to prove to the best of my ability how the present conditions have arisen. It is no use saying in this House or in any other House, or in the public press that on account of these protective duties the Indian cultivators are losing crores and crores of rupees. It is all moonshine and I will prove it to the hilt that it is so. A great doctor of economics in the other House said that India was suffering on account of this textile Bill to the tune of Rs. 80 crores. Then, Sir, some of the people in the other House as well as in this House said that the industry is very inefficiently managed. As I have said before, if it was managed well for 60 years it is very surprising that it is so inefficiently managed now. What other reason is there for this inefficiency? Some have pointed out the managing agency system. Others have tried to say that private commissions and other expenses are all so made up that the agents are getting fat over it and the actual workers and the agriculturists are really suffering. May I ask this House, will any of those gentlemen point out one person who has grown fat on it? Those who have taken private commissions or have run the mills on agency lines for their own personal benefit have all gone down. None of these has survived. That system can never survive. The only business that will survive is that which is run on honest and genuine business lines. Therefore it is no use throwing dirt because here and there we find a black sheep—I do not say there is none—but we must take them as a whole.

**THE HONOURABLE MR. HOSSAIN IMAM :** There are many.

**THE HONOURABLE SIR HOMI MEHTA :** Well, I should like to see it pointed out if there are many. Now, coming to the point why protection is wanted. Some say our cost of production is higher than that of any other country. I can assure you, Sir, that I know the industry from A to Z, and I can say with the greatest confidence that the cost of production of the cotton mills is about four and a half to five annas per pound, i.e., to turn out from cotton a pound of cloth. I am speaking of the standard count of 20 warp and 26 weft. Lancashire, which has had this industry for over 200 years, cannot produce a pound of cloth at any lower cost than this. As to Japan, which has been put before us as a model and ranked as the cheapest producers in the world—I admit they are—their cost according to their own figures comes to about three and a half pence per pound for every pound of cloth manufactured out of 20 warp and 26 weft. But there are circumstances which are greatly in favour of Japan and which other countries do not enjoy, and these are the reasons why Japan can produce cloth at a penny a pound cheaper than any other country. These are that labour is one solid Japanese. They have no caste or creed or anything else. The labour is housed in the mill compounds. There they live. The labour is fed in the mill compound with everybody else. Labour is only paid, after deducting the house allowance and the food allowance, only sufficient cash for the bare necessities of life. Here in India and in England and the other countries of the west we cannot do that because in India amongst

[Sir Homi Mehta.]

mill workers there are Muhammadans, there are Hindus, there are *mahars*, *chamars* and untouchables. These fellows will never live together in one compound and they will never take food in one and the same place. Each one wants a different food which the mills cannot provide. All these things are a handicap in India as well as in other parts of the world. Besides that, we are working only ten hours a day. In the Japanese mills, they are working eleven hours a day. Some say more. I want to restrict myself to what the Japanese themselves say. In England, they are working only eight hours a day ; so is it the case on the Continent. So, naturally, our cost of production is high, and therefore we cannot compete with them.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : What about the food of the labourer ? How do we compare in that respect with Japan ?

THE HONOURABLE SIR HOMI MEHTA : I have no idea.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY : Japan is well organized.

THE HONOURABLE SIR HOMI MEHTA : These are the reasons why the Japanese have a pull over all other nations in the world, not India alone. But why is India affected far more than any other country ? What are the reasons for it ? The reasons are that the yen has fallen to such an extent that they can send back the finished article from Japan to Bombay that it costs half the amount in rupee price. I will show you an instance how it is done. Supposing they are buying Broach cotton whose price today is Rs. 200 which is equivalent to 4 pence per pound. When they send it to Japan the exchange is against it ; therefore, they pay not four annas as the Indian mills do but something like 6d. per pound. Then their labour charges are about 3½d. per pound, which makes 9½d. When it is sent back to Bombay, on account of the 50 per cent. fall in the yen, it comes here at four annas seven pies or somewhere near that figure. Now, the import duty imposed by the Government of India is between five annas and five and a half annas per pound on every pound of cloth that is coming to India. That brings the Japanese price to about 10d. The Japanese cloth is sold freely in India at about nine or nine and a half annas per pound. The Indian mills have to sell it at the same price whereas the Indian mills' cost is four and a half annas in cotton, five annas for producing a pound of cloth and there is no money for depreciation or anything else. How then is the mill industry to live without protection ? That is the only reason why protection is wanted and protection is given. It is only bare existence. It does not provide even for the depreciation of the machinery or any other improvement in the machinery or for renewal of machinery. At this rate, circumstanced as they are, unless the Government gives protection, the Indian mills will never thrive. There will be no scope for thriving at all. How my friend Sir Joseph Bore came to the conclusion that 50 per cent. will meet the circumstances I am surprised. I was not here in this country when this was decided. If I had been, I would have given him my figures for fuller consideration.

THE HONOURABLE MR. HOSSAIN IMAM : How much would you consider sufficient protection ?

**THE HONOURABLE SIR HOMI MEHTA :** When I made my speech last year, during the budget time, I said that 75 per cent. on Japanese goods was a fair protection. That would help the industry to live, and if the Government gives it for the next five years, that would enable the industry to build up certain reserves so as to renew the machinery and everything else.

Then there is another factor. Japanese labour is not only cheap but it turns out a greater percentage than Indian labour, and therefore their costs are lower. Why ? Because the climatic conditions in Japan and in Europe are far better than those in this country. Here a man may work for ten hours but he cannot turn out just as much as a man in Japan or in England can give within eight hours. Their stamina is quite different. The stamina of the poor labourers in India is so poor that they cannot stand the strain and therefore the amount of work they produce is about 20 per cent. less than that of the Japanese workman or the English workman.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** Do you not think that Japanese machinery is far better than, and more efficient than, the Indian machinery ?

**THE HONOURABLE SIR HOMI MEHTA :** I am surprised at my friend asking me that question. Up till the last four or five years, Japan used to buy almost every machine from Lancashire. Now, for the last five or six years, after the war, they are making looms and other machines—some of them are still buying from Lancashire.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** Their machinery is of a better kind.

**THE HONOURABLE SIR HOMI HEMTA :** You can buy it and use it and put up a mill.

**THE HONOURABLE MAJOR NAWAB SIR MAMOMED AKBAR KHAN :** That is what I have been told.

**THE HONOURABLE SIR HOMI MEHTA :** It is said that Japan is such an efficient country that they can do wonders and that our Legislature should not allow us any protection simply because we are so inefficient. Well, I am asking you a plain straightforward question. The Japanese have got a mill in Bombay. It is known as the Toyo Podor mills. That mill is run by the Japanese. The manager is a Japanese gentleman ; the engineers are Japanese, the head weaver is a Japanese gentleman ; some of the jobbers even are Japanese. This mill, Sir, has been worked under the most efficient Japanese management and what is the result ? Year after year, they are not losing one lakh or two lakhs, but many, many lakhs. If you ask them to show you their balance sheet, then your eyes will be opened. If these very people can do wonders in Japan, why should they not do the same in this country ? If they were successful, they would have put up not only one mill but dozens of mills in India, under the control of the Japanese to save 50 per cent. import duty. But they know they cannot do it.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** They do not want to give their secrets to you.



**THE HONOURABLE SIR HOMI MEHTA :** Therefore, Sir, to say that we are inefficient is a false bogey—an absolutely false bogey. You can take it from me—I am not saying anything for the sake of myself; I am saying it for the sake of the industry, as one speaking for the whole of India and as an Indian—I have got no axe to grind—I am not going to make one rupee more or one rupee less by saying this, but I am saying what I feel inwardly in these matters that I am doing a right service to my country. Some of the gentlemen remarked that the mill agents were multi-millionaires and millionaires in Bombay. Will any one point his finger to any man who has become a multi-millionaire in the mill industry? Can they point out to me one man? If so, I should be only too pleased to know it. The great house of Petits owned more than seven or eight mills. These mills have gone down—gone down in the gutter absolutely. All those mills, nearly about 600 or 700 thousands spindles—no one to buy. A mill costing a crore of rupees sold for Rs. 5 to Rs. 7 lakhs as mere scrap iron. It was scrapped by the Borahs and sent as scrap iron either to Japan or Germany to be turned into armaments. Then take the house of Currimbhoy, with thirteen big mills aggregating a total of more than a million spindles, it has gone down. During the war they did not know what to do with their money. They were Muhammadans and one of the best firms. Their property was worth more than Rs. 3 crores and they could command a crore whenever they liked, and within six years they were ruined. And why? Because the Indian markets were flooded with Japanese piecegoods at ruinous prices, their stocks accumulated and with all their money they could not finance their business and so they had to go down. Look at the fate of Sassoon's, who are multi-millionaires. Some say they are worth Rs. 25 or 30 crores. But look at the condition of their mills, nearly eight or ten mills belonging to them with nearly 800,000 spindles, and all gone to pieces. Their Rs. 100 share is not worth even Rs. 5. The Rs. 10 share of the United Mills with a capital of Rs. 6 crores is worth two annas, and if you want to sell that share for even two annas you would not be able to sell it. These are the conditions. Where is the Bombay Presidency getting fat over what they call the unscrupulous methods of the mill industry? It makes my heart burn to come here and ask for this protection. But there is no other recourse and there is no other recourse because it is the exchange that is responsible and the Government of India is not doing us any favour. They are only protecting us against the exchange and not against the inefficiency of the mills, as somebody has said in this House and in the other place. Those are the conditions and nobody can say that anybody is fattening on the earnings of the mills. As far as I know nearly Rs. 100 crores have been invested in the cotton mill industry. If I am wrong I should like to be corrected because I am only quoting from memory, but I think it is very nearly that amount. If you take the average for the dividends paid during the last five or six years, you will find that it does not come to even one and a half per cent. and if it had not been for the Ahmedabad mills it would have been zero or even a minus on the debit side. Those are the conditions and nobody is more surprised than I am to hear from responsible gentlemen in this House that the cotton millowners are fattening on the profits and becoming millionaires.

Now, Sir, our friend the Commerce Member has settled affairs with the Japanese as far as the new duties are concerned, so it is no use going over the old ground again. What I say is that this 50 per cent. duty will keep our heads above water but nothing further. If Sir Joseph Bhore expects that it will do more than that and help us to earn money he is mistaken. That is all I can say about it.

As regards the Mody-Lees Pact, some Honourable Members may not be aware of the fact that Lancashire does not compete with India as regards 85 per cent. of the cotton trade. In other words, England does not send out coarse counts to India, I mean the 20s. and 30s. What Great Britain sends out to India are the finer counts, 40s. and over, right up to 150. Those counts are very rarely made in India. Only 15 per cent. of the entire Indian industry is concerned with fine counts. And how did that happen? When the Noyce Committee sat in 1926 Sir Frank Noyce advocated very strongly that India should not remain dependant on coarser counts only and they should try and spin finer counts. He gave that advice. Some of the mills threw away their old preparations and put in new preparations to spin fine counts. Others, mostly in Ahmedabad, put up new mills, about seven or eight new mills, to spin fine counts. They took the advice of Sir Frank Noyce. They did well for some time, exceedingly well I should say. Then two years ago our worthy Finance Member comes in and puts a duty of Rs. 25 per candy on cotton that arrives in India from foreign countries. Now we all know that fine counts cannot be spun out of Indian cotton. We must either use East African, for the medium counts like 40, or, in the case of the 100s. and over, we must use Egyptain. Nothing else will do. England is getting Egyptian and American cotton without any duty, and it fell to the lot of poor India to pay Rs. 25 per candy, which is equivalent to half an anna per pound, as duty to the Government of India, for running that cotton into the mills and for taking the advice of one of their Executive Council Members. This was not enough. In those days the duty on imported stores and machinery was nil. Only in the case of a few items it was two and a half per cent. On sizing materials, chemicals and dyes it was five per cent. What is it today? On every piece of machinery that we order out to India we have to pay ten per cent. duty; on stores ten and in some cases fifteen per cent.; on chemicals something like 30 per cent. and on dyes something like 50 per cent. How then can we make money? As I have said, the Mody-Lees Pact does not touch the Indian mill industry to the extent of 85 per cent. It does touch that fifteen per cent. who took the advice of Sir Frank Noyce and established new mills to spin fine counts. They are handicapped against Lancashire to the extent of half an anna per pound in the case of cotton and three and a quarter per cent. in the case of stores, machineries, chemicals and dyes. Out of the 25 per cent. which is charged just now on Lancashire goods, they virtually get a rebate of thirteen per cent. as stated above, and only twelve per cent. is the actual duty. But when one also takes the exchange into consideration, 1s. 6d. as compared to 1s. 4d. previously, as between India and Lancashire there is not a preference of even one per cent. to India.

Then, Sir, in the case of yarns over 50s they have taken out all the duty except five per cent. The duty on cotton remains just the same. So in yarns, 50s and over in India, instead of getting any advantage of five per cent. duty we actually pay an excess duty of which the benefit goes to Lancashire. We pay half an anna to the Government of India on cotton, we pay on mill stores and other articles for manufacture of yarns of 50 counts and over ten per cent. duty on the articles we use, and therefore we are under a disadvantage of about eight to nine per cent., whereas the Government of India only charges five per cent. on the finer yarns of British manufacture.

Then, most of the gentlemen ask what they have to do with such a small community of mill-owners; our interest is the interest of the agriculturist. Our interest must be centred on the agriculturists who form 80 to 85 per cent. of the population. I quite agree with them. They are perfectly right in what

[Sir Homi Mehta.]

they say. But they must remember that this small group of mill-owners or mill-agents employ ten lakhs of people altogether all over India from one end to the other in the cotton mill industry. These one million workmen, you must remember, get on an average a salary of Rs. 30 to Rs. 35 per month.

THE HONOURABLE MR. HOSSAIN IMAM: Where? In Bombay or upcountry?

THE HONOURABLE SIR HOMI MEHTA: If you have no knowledge, there is no use asking me a question; but when I quote Rs. 30 to Rs. 35 per month, I am quoting the average salary for the whole of India and I am not talking of one place. In some places they get as much as Rs. 50. Now, Sir, if you take the lot of the agriculturists working in the fields they do not get more than Rs. 9, or Rs. 10 or Rs. 12 per month at the outside and that during the seasonal period and after that they get next to nothing. These are the conditions. These one million people have their families, wives and children; they all depend on that. They are quite happy and they are doing well. If the cotton mills are wiped off the map of India, what would happen? These men will be on the road; they would be begging in the street or working in the field and so the wages of field workmen will go still lower down. The Indian mills are consuming according to the Cotton Committee 25 lakhs bales of cotton in India. Those 25 lakhs of bales would be either sown less in the land or will have to be shipped out to other parts of the world. When the buyers know that India is not going to buy one pound of cotton, they will dictate their own prices and those prices would be miserable prices for the country.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: Who says that the mill-owners do not employ these people? We say the mills are charitable institutions. We do want something for ourselves.

THE HONOURABLE SIR HOMI MEHTA: Now, Sir, when all that competition is wiped off from India and not a pound of cotton cloth is manufactured in this country, what would happen? Foreign mills, mills from Japan, Britain, Germany, and other countries, will be sending out all the cloth to this country. Are they going to sell you at four and a half annas a pound? No. They will say that there is no competition; there is no method to gauge the price; so we shall have our full pound of flesh.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN: America would take their place; several other countries would take their place.

THE HONOURABLE SIR HOMI MEHTA: That is not all. Not only the labourers will suffer. What about the coal industry of India? All these gentlemen have no idea how much coal is used by the cotton mills. That will not be required. Coal miners will be off their work; coal mining companies will go into liquidation and many things may happen.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: Electric energy.

**THE HONOURABLE SIR HOMI MEHTA :** Electric energy is not produced from nothing. There is no water power everywhere. Then there are the cotton brokers all over India, middlemen, insurance companies, bankers, port trusts, and all the landing places. These will all suffer and bring about more misery.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN :** The sooner we get rid of them the better.

**THE HONOURABLE SIR HOMI MEHTA :** In that case none of your produce will move. Sir Guthrie Russell will tell you that. During this transition period when Japanese exchange is playing such a big factor and is ruining the industry at home, the Government should protect the industry in the best manner they possibly can so as to see that that industry is not making an undue profit on the capital invested in the industry. That is an absolutely fair way of asking for protection. If any mill makes a profit of more than ten per cent. let that mill give the excess money to the Government of India to fill in their coffers. If the cotton mill industry flourishes, then all the mills that are lying idle and the hundreds and thousands of spindles which are lying idle all over India will be working. They will not then be consuming 25 lakhs bales of cotton, but a few lakhs more. So there will be no need to send more cotton to Japan or to England. If things prosper and new mills spring up, there will be more cotton consumed in the country itself and both the growers as well as the manufacturers will be happy in the end.

These are the remarks that I have to make, and I support the Bill without saying a word against it; but these are the pros and cons which I hope the Government of India will take into consideration when they are thinking further about this Bill.

**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI**

4 P.M.

(Madras : Non-Muhammadian) : I rise to support the Motion of my Honourable friend the Commerce

Secretary. The Bill before us embodies two important agreements, the one an official compact between the Governments of India and Japan, the other a private arrangement between the Millowners' Association, Bombay, and the Lancashire delegation. In another place it has been pointed out, and I entirely agree with the observation, that the Indo-Japanese Agreement is an event of historic importance, the significance of which cannot be over estimated. It is the first time in the history of India when our Government conducted direct negotiations for a trade treaty with a foreign government. It is our duty to congratulate the Honourable Members of the Government, particularly the Commerce Member, the Industries Member and the Leader of this House, who played so conspicuous a part in bringing the negotiations to a successful issue. When we realise that similar negotiations between Japan and the British Government have fallen through, we get a measure of the patience, tact, skill and energy with which the Indian Government has carried on these negotiations. I repeat that the members of the Government and indeed all concerned in these conversations including the overworked officers and staff of the Commerce Department deserve to be warmly congratulated on the arduous and patriotic services which they have rendered to this country.

The second agreement which is incorporated in this Bill is that which has been arrived at between the Lancashire delegation and the Millowners' Association of Bombay. It has been asserted that apart from its commercial aspect, this agreement has been of distinct political value. Though some critics have

[Diwan Bahadur G. Narayanaswami Chetti.]

belittled or altogether denied the political advantages of such an agreement, I feel certain that by promoting a better understanding between the textile industries of the two countries, it has undoubtedly helped the cause of India's political progress.

But apart from the political aspect, I welcome this Agreement as of great value to the promotion of the commercial prosperity of India. I believe that India's commercial future lies in close co-operation with Great Britain. It is in an adjustment of Indian and British interests in this country that the commercial salvation of India lies. At a time when acute economic nationalism is the main characteristic of most foreign nations I am convinced that India can only prosper by taking full advantage of the fact that it is a unit of the biggest Empire in history—the British Empire. That is why I welcomed the Ottawa Pact and this Agreement which adopts the principle of that Pact will prove beneficial not merely to the textile industry of India but to the cotton growers and the agriculturists. Sir, in spite of comments to the contrary I am convinced that the vast majority of Indians desire to have friendly relations with British trade. The policy of Imperial preference will do us no harm and will on the other hand make for our greater prosperity. I am glad therefore that the Government has incorporated the results of that Agreement in this Bill.

I have already referred to the Indo-Japanese Agreement but one aspect of it deserves to be emphasized. The Agreement provided for the purchase by Japan of a certain quantity of Indian cotton and thus directly benefits the cotton grower. India is a vast producer of raw materials and it is becoming increasingly necessary to find foreign markets for our raw products. I am glad, Sir, that Government have recognized this fact and have made a beginning in this Agreement. Moreover, Japan is the most important eastern nation and the commercial relations of India and Japan are bound to be very intimate and to grow in that intimacy in the coming years. I see that the Select Committee of the Assembly has recommended that a Trade Commissioner or Agent on the parallel of South Africa should be appointed in Japan. It seems to me that this is an important recommendation and I hope Government will give it its best consideration.

Sir, it is not necessary to go into the details of the Bill. I shall only refer to a few items. It is felt that the duty on raw silk and artificial silk goods of non-British manufacture is not sufficiently high and does not afford enough protection. I hope the Honourable Member will watch the position and if he finds it necessary increase the duty.

Sir, I support the Motion.

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The Council then adjourned for Tea till Twenty-Five Minutes Past Four of the Clock.

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The Council re-assembled after Tea at Twenty-Five Minutes Past Four of the Clock, the Honourable the President in the Chair.

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**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR** (Madras : Muhammadan) : Sir, standing at this late hour of the day, I do not propose to indulge in any very lengthy observations. I shall only deal with a few salient features of the Bill. At the outset, I should like to offer my

felicitations to the Honourable the Commerce Member and his colleagues on the successful issue of the negotiations which were carried on recently with Japan. It is really gratifying that an Indian Member of the Viceroy's Executive Council has signed on behalf of the Government of India a trade agreement with a foreign power. This agreement and the one which was reached with Lancashire have helped a great deal in solving the problem of the textile industry in this country. Apart from the immediate results which these agreements are bound to produce to the mutual advantage of the parties concerned, the one great benefit that has accrued is the practice that has been established—the practice of settling differences by means of mutual friendly discussions and consultation. Sir, the personal contacts that have been established and the appreciation by the contracting parties of each other's position and point of view are bound to produce results which will far transcend any advantage that will be derived for the time being from the terms of the agreement. I shall take up the Bombay-Lancashire Agreement which has been subject to much criticism both in the Legislature and outside it. The objection that it represents an agreement between two private organizations is not one which can hold water. Sir, if the Agreement were such that it could not be deviated from, one which the Government had not the authority to change even by one jot or tittle, then certainly such an agreement would have been considered highly objectionable. But when the Government has the power, when the Legislature has the power, to accept, amend or reject the Agreement, such a rapprochement between private organizations is not only desirable but welcome. Again, Sir, it has been said that the organization which entered into negotiations on behalf of India was not one which was competent to do so, inasmuch as there was another section in the country which was opposed to the point of view presented by the Bombay Millowners' Association. To this my reply would be that the Bombay Millowners' Association is the most representative and most important organization in the textile industry of the country. As has been observed by the Honourable the Commerce Secretary and the Honourable the Commerce Member, it has got its membership widespread throughout India and there is no important area in the country which is not interested in this organization. Another objection that was raised was that there was no undertaking on the part of Lancashire to take more and more of Indian raw cotton. It is surprising, Sir, that the persons who make this criticism are persons who are expected to know better, persons who ought to know the things that are happening in this country and have been happening for a long time. Long before this Agreement was reached or even before it was attempted attempts were being made in the United Kingdom to increase the use of Indian raw cotton. This was in pursuance of the Ottawa Agreement, and it was in view of the agreements that were expected to be reached between India and the United Kingdom and the implementing of which agreement was promised by His Majesty's Government. One of the Honourable Members remarked that in view of the fact that His Majesty's Government under the Ottawa Agreement were bound to help in increasing the use of Indian cotton, it was not necessary that this Agreement should have been reached at all, and in fact, just because in the Bombay-Lancashire Agreement there is no definite undertaking about the purchase of Indian cotton, this assurance is only a vague assurance and merely a pious hope held out. To this, Sir, my reply is that in Article 8 of the Agreement between His Majesty's Government and the Government of India, which deals with this aspect of the problem, all that His Majesty's Government promise to do is to undertake that they will co-operate in any practical scheme that will be agreed to between the manufacturing trade and producing interests in the United Kingdom and India for promoting either by research, propaganda

[Saiyed Mohamed Padshah Sahib Bahadur.]

or improved marketing with the United Kingdom. So, if His Majesty's Government could by its good offices help in the offtake of Indian raw cotton, it would be only after such agreements have been reached between India and the United Kingdom. And my Honourable friend who made that kind of criticism stated that if His Majesty's Government had not in pursuance of this Agreement tried to increase the use of Indian raw cotton by Lancashire mills it would have committed a breach of faith. But I say that according to Article 8 in the Agreement that is not at all the case. But on the other hand, I assert this, that if the Bombay Association had wilfully refused to make this Agreement in spite of the fact that the Agreement was reasonable and fair and opened an avenue to co-operation between these two countries in the matter of trade and commerce, if this Association had wilfully refused to enter into this Agreement then the Bombay Association would have been guilty of doing a thing which would have prevented Article 8 of this Agreement coming into operation, and consequently it would have committed something in the nature of a breach of faith.

Now, Sir, I will just say a word about the other advantages that have flowed from this Agreement. As has already been observed by the Honourable the Commerce Secretary, no other event in recent history has done so much to promote the good relations between the United Kingdom and India as this Agreement. Several members of the Indian delegation to the Joint Parliamentary Committee have borne testimony to the remarkable effect which this Agreement has had on the evidence tendered by the Manchester Association. (*An Honourable Member* : "What about the Churchill allegations ?") They are yet to be investigated. Again, this Agreement had really brought about a remarkable change of attitude on the part of witnesses who appeared on behalf of the Manchester Association, indicating that in spite of the demand that they made for safeguards there was discernible very clearly a disposition on the part of those witnesses to prefer a solution by co-operation and to rely on the goodwill and cordial relationship with India rather than upon safeguards. Therefore I feel that this is one of the grandest achievements in recent history.

Now, Sir, just a word about the Indo-Japanese Agreement. Since this Agreement has been approved and not seriously objected to by anybody, I do not think it is necessary for me to say anything about the advantages that are likely to accrue to us from this. I would only point out one feature of this Agreement which to my mind seems to be not very helpful, and that is the quota system. I feel that the quota system is a very good system and one which should be welcomed if the consumption in the country is on the increase. But when owing to the steady decline in the purchasing power of the masses the consumption is daily decreasing, the quota system is positively injurious to the interests of the people. The result of this quota system would be that the burden in the loss of consumption would fall upon India and not upon Japan, and it is perfectly certain that the prices will increase inasmuch as the cut-throat competition would have been eliminated. The result will be that the poor masses will have to pay a much higher price for the articles for which they are now paying much less, and that without the guarantee that the indigenous mills would have received protection so that in course of time the masses might be recompensed for the sacrifice they make. There is no prospect of this. So I feel that this quota system is a source of positive injury to the people of this country.

I feel, Sir, that in this Bill no attempt has been made to solve the question of the handloom industry. I simply indicate this and make only one observation in regard to this, that this is an industry which supports nearly ten millions of people in the land, and therefore its interests have got to be jealously protected. And this is an industry which has got to be protected not only from foreign competition but also from the mills in the country.

Again there is the question of yarn and how to solve the matter as between the conflicting claims of the handloom weaver and the spinning factory, which places us on the horns of a dilemma. I feel very earnestly that every effort will have to be made to try and solve this question and find a *via media* to an adjustment of these conflicting claims. So far as hosiery is concerned, I endorse the observations made by my Honourable colleague Mr. Suhrawardy. I feel that this is an industry which does not at all need protection because it is not in a position to supply even 20 per cent. of the requirements of the country, and an industry which does not supply even 20 per cent. of the requirements of the country is not one which can be considered to have any claim to protection. The Fiscal Commission which discussed this question of protection—of which you, Sir, were a distinguished member,—makes it quite clear that no industry which is not stable should be given any protection, because there is no chance of such an industry being in a position to do without the aid behind which it takes shelter and will always have to be propped up and as such would be most injurious to the interests of the people of the country.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, at this late hour I do not think it will be convenient for the House to hear me on all the points on which I wished to dwell. The Honourable the Commerce Secretary himself admitted that this was a comprehensive and complicated Bill. I, Sir, find that it is not only this, but as there are now being published omnibus volumes which contain diverse and different kinds of material in one volume, in the same way this Bill is an omnibus Bill and contains any number of things which have no relationship except that they belong to the Department of Commerce.

First of all, I wish to confine myself to examining the case for protection and the extent of the protection which the Tariff Board has submitted and after that I wish to examine how far the Bombay mills of the Millowners' Association have improved themselves since 1926. Within these narrow confines I shall remain and I will discuss other points on some other occasion. The basis of the Bill is admittedly protection. But although the Tariff Board submitted its report on 20th November, 1932, the Government introduced this Bill as late as March, 1934. Fifteen and a half months were wasted ; or rather it was found impossible to bring forward a measure for that period. I admit the plea of the Commerce Member that circumstances over which he had no control forced him to defer his taking action over it. That is a valid excuse, but can it be denied that the Tariff Board enquiry is an expert enquiry, is an enquiry in which opinion is based on actual possibilities of the market and the actual prices and working costs vary, and these are the basic principles on which the whole edifice is made up. If the Government found themselves unable to bring forward a legislative measure, the only and rational action that they could have taken was, to have asked the Tariff Board to revise their basic figures and to have submitted them to the House. I expected that the Select Committee in the other place at least would have realized its responsibility and asked the Government to give more recent basic figures on



[Mr. Hossain Imam.]

which the Tariff Board report was based, but my hopes were shattered. Everywhere there is the same lack of foresight and we could not expect anything better. The representatives of the people who come into the Legislatures come to represent certain interests, certain constituencies, and if they act according to that they are to be admired and not to be treated with disrespect. They come with a mandate from the people for three years and the mandate has expired and they are here on the sufferance of the Treasury benches, and therefore they are pleading for the Treasury benches and leaving the constituencies to take care of themselves.

Even if we admit that the Government thought that its own Department had sufficient material to guide them in forming their amendment to the Tariff Board proposals, they ought to have been placed before us. There is one thing for which I can find no excuse for the Government. It is the suppression of the evidence adduced before the Tariff Board. In the 1926 enquiry four volumes of evidence were published during the year. I could not find out the exact dates, but they were all issued in 1927. In this tariff enquiry the evidence has not been published up till now even after 17 months of the report. Can there be any defence for this except that the case is weak, that it cannot stand criticism, that if everything is brought to light it will fall to the ground? I was very fortunate in getting at least one volume of the material which was submitted to the Tariff Board in 1932. I inquired in the Library when the Bill was first brought to our notice and at that time I could not get this volume. As I was passing through the Library this morning I made a last enquiry and found that the representations submitted to the Tariff Board by the applicants for protection was in the Library and I am sorry I could not go through it with the care I would have liked to.

Sir, I shall now commence by dealing with chapter VI of the Tariff Board's report. In this connection I wish to point out that formerly by conviction I was a free trader, but the peculiar circumstances of India have forced every man to become a protectionist, because India, as it is a prey, at the present moment, to every one, cannot safeguard itself without having recourse to protection. The Legislature has given its approval, and the Government has also admitted that there must be some tangible basis on which protection should be given. And in that connection the work of yourself, Mr. President, and your colleagues in the Fiscal Commission, is the main foundation stone on which the Tariff Board enquiries have been based. It is very strange that in the terms of reference of the 1932 enquiry as well as of the 1926 enquiry no mention was made of those basic conditions which you gentlemen had laid down—the cardinal points for giving protection. There is not only this drawback but the Tariff Board has enunciated new principles, has given currency to new grounds for giving protection; and unless those grounds are sufficiently examined by the Governments and by the people, I do not think that they should replace the monumental work which the Fiscal Commission have done. The Tariff Board ought to have taken into consideration the facts that in the 1926 enquiry the President had not agreed with the majority of the recommendations of the Tariff Board and there was a note of dissent by the President, that the Government had come to a decision that no case for protection was made out. These were the two cardinal points which the Tariff Board ought to have examined and proved to the hilt—that they could not be substantiated, that times had changed and there was a fit case for protection. Add to this, Sir, when protection came for the first time it came with Imperial preference, and you must remember that in the other place

there was some cry about its being rejected on that account. People did not give it that unmixed blessing which would have justified the Tariff Board in coming to the conclusion that they could do without substantiating the case for giving protection. Sir, the one thing which the Tariff Board report does is to bring into prominence that this Bill has not been brought so much with a view to support the textile industry as a whole as it has been brought to sustain the tottering Bombay industry.

The Fiscal Commission's first condition was, *that the industry in question should possess sufficient natural advantages in respect of material, labour, power and the existence of an extensive home market.* This first condition is proved to the hilt. Everyone on every side of the House and in every part of the country knows that India produces cheap labour, it is a producer of cotton, it has an extensive home market, and therefore no one will disagree with the Tariff Board in their reply in the affirmative to the first condition. But in this connection I should like to point out that the lack of co-ordination in the Government departments has been brought glaringly before us. The question which is very intimately connected with the protection and well-being of the industry is the production of long staple cotton. It is well known, Sir, that in the past India used to pride itself on its fine linens and muslins. It could not have been produced if there were no fine long staple cotton and we know there is none in India now, because the one-time Indian cotton industry was massacred. But I do wish that the Department of Agriculture had taken more care and done something more tangible to introduce long staple cotton in suitable parts of India. Almost every variety of climatic condition that you can think of is found in some part or other of India. It is only because there is no insistent research and sufficient money is not being spent that we are not growing long staple cotton.

Sir, I now come to the second condition of the Fiscal Commission. *The industry must be one which without the help of protection is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the country.* This is, Sir, a very wholesome check which your Commission has imposed on industries applying for protection. We are, Sir, in favour of discriminating protection but we will oppose and always oppose protection gone mad. Sir, in paragraphs 112 to 116, the second condition has been applied but the initial mistake of the Tariff Board is that it has placed a premium on inefficiency and obsolete machinery by basing its calculation on average mills. It did not take into consideration that mills during the boom period have paid dividends many times more than the capital itself. In this connection, Sir, I have prepared six statements\* from the reports published by the Tariff Board in 1927 and 1932, which I should like to incorporate with my speech, and from which I will quote a few figures. The Tariff Board itself in paragraph 40 on page 83 of the report stated how the Bombay mills utilized their profits during the period 1920, 1921 and 1922. In this period, Sir, the Crown mills on a share of the face value of Rs. 500 during the three years made a profit of Rs. 2,955, which comes to Rs. 985 or 197 per cent per annum. The Swadeshi made a profit of 103 per cent. per annum, I am not giving the full report, as you will find it in Statement "A."

This shows, Sir, that the Bombay mill industry in an effort to get rich, quickly disposed of all the profits they had made in dividends and commissions.

**THE HONOURABLE THE PRESIDENT:** Did Bombay alone do that ?

\* Reproduced as an Appendix at the end of these debates.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I will give the reply to that. The Japanese also made the same profits. Ahmedabad made the same profits. But there was a great deal of difference in the manner in which it was disposed of.

**THE HONOURABLE THE PRESIDENT :** Did not jute and coal make the same profits ?

**THE HONOURABLE MR. HOSSAIN IMAM :** But, Sir, jute and coal are not being given 50 per cent. protection which the Bombay mill industry is getting.

Sir, the Tariff Board of 1927 discussed how Japan provided more than sufficient depreciation out of the profits in order to insure the future prospects on a par with the present, and the same thing happened with Ahmedabad. Much has been made of the fact that in 1930-31 the mills showed enormous losses but not a word is said how much of this loss is due to inefficiency of management, pilfering, and other charges which the Tariff Board recites in chapter 4. This has happened because they did not examine these accounts which were submitted by the mills. They simply trotted out the figures given by the Millowners' Association. That this gloomy picture does not show the condition of the industry as a whole in general has been amply emphasized by the Board itself by showing that the Ahmedabad mills showed a profit of  $4\frac{1}{2}$  per cent. on capital *plus* reserves. I call it special pleading and camouflaging to tack the profits to reserves and paid up capital. Profits are always regarded as on paid up capital. They take into account all the interest payments and all out-of-pocket payments, and afterwards when a profit is declared that profit is in relationship only with the capital. The Tariff Board realized this mistake and they also stated further on that on the paid up capital only it was approximately  $12\frac{1}{2}$  per cent. At a time when every industry was in a bad condition, if the Ahmedabad millowners could make  $12\frac{1}{2}$  per cent. that is sufficient and it was rather creditable to them, but that does not justify a demand for further protection. But, Sir, my complaint is that when they state that the rate is four and a half per cent. on the paid up capital and the reserve, they ought to have given us a picture of what was the capital and what was the reserve. The Tariff Board in this inquiry I find have not tried to place the case in a manner in which it could be examined and subjected to criticism. As opposed to this the 1927 report has given us the figures of the capital and the reserve of the Ahmedabad industry. From that report, Sir, we find that the paid up capital and reserve in Ahmedabad were Rs. 3,26 and Rs. 3,66 crores in the year 1924, so that the difference between the capital and the reserve fund was 100 to 112. Now, Sir, if we take into account the fact that the Tariff Board in giving out the  $12\frac{1}{2}$  per cent. return on capital have made a deduction which they ought not to have made—they deducted Rs. 2,56 lakhs which was the amount of surrendered money—if that is taken into account, that will represent a return of  $13\frac{1}{2}$  per cent. It is surprising that after showing this, the conclusion to which the Tariff Board come is one which we cannot endorse. This is what they say :

“ If there were no protective duties, even assuming the continuation of the Swadeshi movement, it seems to us a valid contention as regards the bulk of the industry that no surplus will be forthcoming for financing any extensions and improvements ”.

Sir, this cannot be true of the textile industry in general, but there is no doubt that this is true of Bombay. This really portrays the condition of Bombay. Bombay cannot stand without—not 50 per cent. duty—75 per cent. duty. That is what they admit. I should like to present to the House

and to the Commerce Member some facts which show how the Bombay industry has been wasting its opportunities and how Ahmedabad has been building up its industry. Sir, Tables IX and X to the Tariff Board report gives the picture of the capital and block after depreciation and in the present new volume which I got from the Library this morning, the Ahmedabad Millowners' Association has presented us with further facts on the same lines the counterpart of which I do not find from the Bombay Millowners' Association. They were afraid to give it because they could not sustain their case. In Ahmedabad, between 1921 and 1925, the block after depreciation was more than covered by capital and reserve. During these five years they wrote off Rs. 1,58,28,000 on a block account in 1925 of Rs. 6,71,10,000 which represents a writing-off of 24 per cent. in four years. This is what the Ahmedabad industry did. Look at Bombay. In Bombay, on the other hand, the capital and the reserve was five per cent. more in 1921 than the block account, but in 1925 it was five per cent. less than the amount of block and during this period they have written off Rs. 4,70,55,000 on a block account in 1925 of Rs. 31,17,59,000 or less than 12 per cent. during this boom period. Does that show that the industry was really trying to put its house in order? Does it show that the industry was genuinely anxious to establish itself on a firm footing? Does it show that there was any desire on the part of the Bombay millowners to sustain the industry in India? This shows, Sir, that although the Bombay industry was an older industry and therefore the mills were older, and they ought to have written off more as depreciation than the Ahmedabad mills, but actually, during this boom period, they did not write off even half as much in terms of percentage as Ahmedabad did. If further proof of the folly of the Bombay industry is required it is found from a perusal of Tables XLIII to L of the first Tariff Board's report. Here the Tariff Board has dealt with the over-capitalization. I shall not waste the time of the House by reciting them. But I shall lay the statements \* on the table. I have differentiated these tables into two parts. In one, Statement "B," I have placed those mills which have increased their capital without any increase in spindles and looms, and in the other, Statement "C," I have given the names of those mills which have increased their capital but they have not made corresponding increases in the looms and spindles. From these two statements I find that eight mills increased their capital from Rs. 1,12,00,000 to Rs. 3,82,00,000 or an increase of 340 per cent. on the first capital without any increase of looms and spindles. I was surprised that none of these mills came into the category of those mills about which the Bombay millowners have taken credit of having reduced their capital. None of these eight mills, strangely enough, come into this category, although some of the mills in the second category in which there has been increase without corresponding increase of spindles and looms occur in the list of reductions effected. There, Sir, a capital of Rs. 92 lakhs has been increased to Rs. 216 lakhs. This shows that they over-reached the mark. This point has been further commented upon by the Tariff Board of 1927 who say in paragraph 40 :

"Even if this contention is accepted as valid, the fact that the original cost of land, buildings and machinery, as shown in the Bombay Millowners' Association, also increased by 60 per cent. in 1920 and 80 per cent. in 1921 as compared with the figures of 1919 cannot be overlooked".

These are the ways, Sir, in which the Bombay industry is being carried on. Sir, Table LI in a very pertinent manner brings out the salient features of the over-capitalization. It says that between 1918 and 1925, in Bombay,

\* Reproduced as an Appendix at the end of these debates.

[Mr. Hossain Imam.]

the capitalization per spindle increased by 53 per cent. In Ahmedabad, during the same period, it increased only by 14 per cent.—a difference of almost four times. This shows whether the industry was really being worked in the interests of the industry or whether it was made simply a shield to do something else. In paragraph 13 of the 1932 report the Tariff Board were forced to blurt out the real truth and said that the need for assistance is greater in Bombay than elsewhere. This is what we have been hammering at, that this is not a Textile Protection Bill but a Bill to perpetuate the inefficiency and mismanagement of the Bombay industry. In paragraph 114 they have examined the causes which have made the position of the Bombay industry so bad, and here is what they say :

“ The first is the rapid advance made by the Japanese industry in recent years in technical efficiency ”.

This is one of the reasons why the Bombay mill industry should be supported, because another exporting country has increased its efficiency. This is a new ground for giving protection, that if a foreign industry becomes more efficient we must give more protection to our inefficient industries in order to enable them to carry on this inefficiency. This is partly the result of the general adoption of what are called better and automatic machineries in Japan.

In this connection, Sir, they themselves admit the reason why the figures for labour per loom and spindle in Bombay are more than in Japan. And in another paragraph they have attacked Indian labour for its inefficiency because in the Indian mill industry more labourers are employed than in Japan. But they forget the fact that in Japan they have more modern automatic machinery and therefore less people are required to work it. That is the real reason for the employment of less labour per machine in Japan and I object strongly that it should be made to appear that the inefficiency of Indian labour is primarily responsible and not the faults of the millowners themselves.

“ The difficulties which have beset the Indian industry since the war, for some of which it is itself responsible have seriously curtailed its competitive power in face of the rapidly increasing efficiency of the Japanese industry ”.

Sir, what has surprised me most in this connection is that they have taken shelter behind that part of the Fiscal Commission's report which has recognized that as a result of some temporary deterioration or atrophy an industry might be in need of assistance. This was, Sir, a very valid ground. But the way in which the Tariff Board has utilized it is anything but straightforward.

THE HONOURABLE THE PRESIDENT: You are now sitting in judgment on the Tariff Board ?

THE HONOURABLE MR. HOSSAIN IMAM: Yes, Sir. I am pointing out the inconsistency in their argument. They say themselves that the malady from which Bombay is suffering is not of a temporary character. They admit that they cannot fix a period to the time for which protection will be required, and still they take shelter behind this dictum of the Fiscal Commission. A temporary deterioration is quite different from a permanent disability or paralysis, under which really the Bombay industry is suffering.

Sir, I now come to paragraph 115. In paragraph 115 they admit that there is great disparity between the purchasing power of the population and the fall in prices of cotton manufactures. They admit that the fall in the demand for British goods was greater than that for Japanese goods. And we know that the cost and price of English goods were higher than of Japanese goods. This gives us an inkling that with higher costs the Indian consumers are not prepared to buy more goods. With all these facts before us what does the Tariff Board do? It does not follow the natural order which it ought to have done. It is a well-known dictum that in the days of falling prices the road to prosperity lies with the cheapening of goods and increasing the purchasing power. Either you so increase the purchasing power that the prices which you demand have the same relationship as they did before depression—

THE HONOURABLE THE PRESIDENT: If you cheapen the goods I fail to understand how you can increase the purchasing power?

THE HONOURABLE MR. HOSSAIN IMAM: Sir, by cheapening the goods I do not mean that we should undercut the prices of raw materials. I do not mean that we should lessen the wages. Those are the two items which flow into the pockets of the consumers and therefore they ought not to be reduced.

THE HONOURABLE THE PRESIDENT: What other method is available for cheapening goods?

THE HONOURABLE MR. HOSSAIN IMAM: The other method is the utilization of power to enhance production and reduce overhead charges.

THE HONOURABLE THE PRESIDENT: What power?

THE HONOURABLE MR. HOSSAIN IMAM: If you double the shifts in the Bombay industry as they have in Japan.

THE HONOURABLE THE PRESIDENT: In that case your losses would be double and you would be put in still more straitened circumstances.

THE HONOURABLE SIR HOMI MEHTA: One thing is certain. If you cannot sell the stuff you produce in one shift, it would be impossible to sell that produced by two.

THE HONOURABLE MR. HOSSAIN IMAM: As far as the selling proposition is concerned, I present Sir Homi the statistics which were placed before us in the budget discussion, to the effect that the production of Indian industries has increased as compared with the fall in the value of foreign goods coming to India. It is not that there is no market. It is this, that there is no co-ordination between the mills.

THE HONOURABLE SIR HOMI MEHTA: You buy one mill and show us how to run mills and we shall be much obliged to you. If you can make a profit I am prepared to give you a couple of lakhs of rupees a year. That is a challenge I throw out.

**THE HONOURABLE MR. HOSSAIN IMAM :** As far as that goes I may say that even at the present moment, as I have shown and I will show, the Ahmedabad and upcountry mills, who are not members of the Bombay Millowners' Association are making money——

**THE HONOURABLE SIR HOMI MEHTA :** They are members of the Ahmedabad Association, and every day a fight is going on between the labourers and themselves. Mills close down every day and open after a week or so after great persuasion. Ahmedabad is actually losing money and the 1933 balance sheets which will come out shortly will show losses. I am largely interested in mills in Ahmedabad and if I do not know something of the statistics I should like to know who does ?

**THE HONOURABLE MR. HOSSAIN IMAM :** As regards Sir Homi Mehta's statement that his mills are not making profits——

**THE HONOURABLE SIR HOMI MEHTA :** I never said that my mills are not making a profit.

**THE HONOURABLE MR. HOSSAIN IMAM :** What was your statement about Ahmedabad ?

**THE HONOURABLE SIR HOMI MEHTA :** That the Ahmedabad mills are now losing money and the 1933 balance sheets of most mills will show a loss. The Ahmedabad mills are trying hard, meeting Mr. Gandhi and others, to reduce wages by 30 per cent. in order to meet the Japanese competition. That is what I said.

**THE HONOURABLE MR. HOSSAIN IMAM :** I am afraid I have not got the material before me.

**THE HONOURABLE SIR HOMI MEHTA :** Well, it is public property.

**THE HONOURABLE MR. HOSSAIN IMAM :** I can only talk about what has been stated in the reports and other papers. I cannot with that impunity make suggestions about facts which no one is called upon to prove, as my friends can.

Sir, in paragraph 116 they bring forward the fact that one element of unfair competition of Japan, that is night work, has been abolished in Japan since 1929. This was in reply to the allegations by the millowners that Japan was making unfair competition.

I now come to the third condition of the Fiscal Commission. *The industry which claims protection must be one which will eventually—I lay stress on the word “eventually”—be able to face world competition without protection.* That is the most important condition which the Fiscal Commission has laid down. On this there can be no difference of opinion. This is the primary necessity which must be satisfied, because the consumer would be prepared to shoulder the burden of protection of the industry only on condition that ultimately he would have some advantage out of it. It is just like sowing grains in the soil. One throws out from one's house valuable things in the hope of reaping a harvest at some future date. In the same way the consumer is ready to invest money by paying higher prices for goods produced.

**THE HONOURABLE SIR HOMI MEHTA :** He is not paying a higher price——

**THE HONOURABLE MR. HOSSAIN IMAM :** I refuse to give way, Sir. The reply to this is given by the Tariff Board.

“There is little hope of the Indian industry being able to dispense with protection in the near future”.

This is not the only part of the story. They have given us later on a rosy picture that they will be able to recommend a reduction of 25 per cent. in the present duty, which amounts to a two-anna (*i.e.*, 12½ per cent.) reduction. When will we have that boon? When the 1929 prices are again established in the country. Is that practical politics? Is there any chance in future years, in even a dozen years, of our coming back to that level. Has America with all its stupendous efforts succeeded in bringing prices to that level and can we hope, Sir, with the damping influence of the 1s. 6d. ratio ever to be able to reach the level of 1929 prices? In the end they say :

“It is impossible to state definitely at what period the bulk of the industry will be able to dispense with protection”.

This, Sir, is an admission of the Tariff Board that this condition is not satisfied. Still they persist in saying that that condition has been satisfied.

**THE HONOURABLE THE PRESIDENT :** I am not able to follow what you are leading up to? I understand you are condemning the report of the Tariff Board—

**THE HONOURABLE MR. HOSSAIN IMAM :** Yes, Sir.

**THE HONOURABLE THE PRESIDENT—**a body of experts who decided that protection should be given. You would not contend for a moment that you are an expert and that your opinion should be accepted in preference to the Tariff Board's?

**THE HONOURABLE MR. HOSSAIN IMAM :** What I contend is that the Fiscal Commission should have precedence over the Tariff Board.

**THE HONOURABLE THE PRESIDENT :** The Fiscal Commission never stated that under no circumstances should protection be given. They pleaded for discriminating protection. I know you have quoted with great ability many passages from the Tariff Board report in which they speak against the Bombay mill industry, but you have at the same time omitted many passages in the Tariff Board report in which they make out a case for protection, and have come to the conclusion that protection should be given to the industry.

**THE HONOURABLE MR. HOSSAIN IMAM :** We have the opinion of two experts. What I claim is that I regard one as greater than the other. If the House is not in agreement with me, I think it is my misfortune. I regard the Fiscal Commission's report as far more valuable than the Tariff Board's.

**THE HONOURABLE THE PRESIDENT :** The misfortune is that you are such an enthusiastic free trader that you see nothing good in protection!

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I was simply saying this that as long as the Fiscal Commission's report is the basis for protection, as long as Government does not change it by forming another Commission or giving out a dictum that they have over-ridden the Commission, that will hold good,



[Mr. Hossain Imam.]

and that is the basis on which every Tariff Board enquiry must be examined if we are going to give discriminating protection. If the Government wants to give indiscriminating protection, of course all that I have said falls to the ground. Now, Sir, this is the strange conclusion that the Tariff Board have come to that they are unable to state definitely at what period the industry will be established in a position to dispense with protection. I am quoting from paragraph 121 :

“But we do not consider that this is a sufficient ground for holding that the third condition has not been fulfilled”.

I ask the Commerce Department to tell us then what would be sufficient to establish that the third condition has not been fulfilled. No industry can say that for all time to come it will never be able to stand on its legs. It is a matter of guessing. I wanted something definite. I do not think that the Fiscal Commission meant that the reply should be in indefinite terms. The more we have spoon-fed the industry, the more protection we have given from 1917 right down to 1930, the more helpless has been its condition. It was said that by this protection the industry will be in a position to lay by sufficient money for depreciation, to make it stand on its own legs ; but that theory has been shattered by the able pleadings of my friend Sir Homi Mehta who tells us that 50 per cent. will not help the industry to do anything by way of reconstruction, but will only allow them to maintain their heads above water. What is the good of giving this sort of protection ? We should give the full amount of protection and give it for a definite period. I agree with him that if protection is to be effective, it must be for a definite period and they must be told that they will have no protection, they must stand on their own legs, otherwise it will just allow them to muddle through. It has been a national characteristic with the British people to muddle through. It paid very well during the days of *laissez-faire*, but at the present moment it would not pay, and giving half-hearted support to the industry will only mean that consumers will be out of pocket. The industry will get into the habit of looking to Government for assistance and in the end it will be disadvantageous to all.

Sir, in concluding my remarks on this chapter, I should like to summarize that the first condition of the Fiscal Commission is more than satisfied, that the second condition does not fit in, and that the third condition has not been satisfied except perhaps on the basis that ultimately in some unknown period it will be able to stand on its own legs.

THE HONOURABLE THE PRESIDENT: I am afraid the Honourable Member did not follow the observations of the Commerce Member this morning. The case, as he said, for protection is based on the ground that there has been a terrible depreciation in the value of the yen and that has put India in a state of unfair competition with Japan and the mills were therefore not able to sell their goods. The Commerce Member further said this morning that they are not going to stick to this rule and if further protection is necessary by reason of further depreciation, they will have to modify their policy. What you have now quoted from the Tariff Board report as well as from the Fiscal Commission report, though they may be of academic interest, have no bearing whatsoever on the present policy which has guided Government in giving protection.

THE HONOURABLE MR. HOSSAIN IMAM: Sir, in view of the ruling from the Chair—

**THE HONOURABLE THE PRESIDENT :** There is no ruling whatever. I have simply explained the position to you. You have been trying to argue otherwise but I am trying to explain to you that you have entirely misunderstood the arguments of Government on which this policy of protection is based. You can now proceed with your observations.

**THE HONOURABLE MR. HOSSAIN IMAM :** Now, Sir, my task would have been very much lighter if I had found that depreciation effects and case for protection had been examined and the Tariff Board had made mention of this subject which you have pointed out to us. The depreciation of the yen has been a bogie which has always been brought before us as something which is the cause of all the troubles to the mills, just as I admit we are in the habit also of bringing forward the 1s. 6d. ratio as the reason for all our maladies. It is a mutual game. We place all the blame on the 1s. 6d. ratio and in return the mill industry places before us the depreciation of the yen. Now, Sir, to all those who have any regard for the facts and who wish to examine the things deeply it will not come as news but as a very apparent thing that in a country which is dependent for its raw material and for the bulk of its machinery on the outside world, depreciation is a thing that cuts both ways. Japan is losing enormously as compared with India in the purchase of raw material. In the raw material their costs amount to double the money which it costs you, and the depreciation of the yen is always thrown in our faces as being the root cause of all the evil from which the Bombay industry suffers. The depreciation of the yen costs them in buying machinery to pay double the price. That, transferred to the capital account, means a constant drain and a constant handicap to the industry. Then, Sir, we forget the material fact that at the present moment the taxation in Japan has gone up enormously. That is also due to the depreciation of the yen. We forget the fact that the Japanese industry is suffering from an unbalanced Government budget. Are not these contributing causes sufficient to counteract the supposed advantages which Japan has derived from the depreciated yen ? It is all very well to say that the depreciated yen is the root cause of everything but if you examine it thoroughly you will find that there is no such thing as an unmixed blessing in the world : we have got to take the advantages with the disadvantages.

Now, I will examine chapter 4 of the Tariff Board's report, in which they have given their opinion about the extent of assistance required by the industry. Sir, the first thing which struck me and for which I could not find any reason was the great difference between the cost of supervision and selling charges between the 1927 report and the 1932 report. I am referring, Sir, to Table 55 of the 1932 report. Here, Sir, we find that supervision, selling expenses and other expenses total up to 18 per cent. of the manufacturing cost in Table 55, page 98 of the second Tariff Board report. Well, in the first Tariff Board report, page 119, Tables 71 and 72, we find, Sir, that the average manufacturing and overhead charges per day comes to 9.971 pies and these three items, salary and supervision of staff, etc., come to .94 pies and in the corresponding column the figure per loom is 5.14 pies and for these three items it comes to 42 pies. Now, Sir, the present Tariff Board has taken it that 40 spindles are required to each loom and on that basis they have given the capitalization value. On that basis, Sir, we find that these three items cover 80 pies out of 930 pies, which gives a percentage of less than 9, while in Table 55 of this report the percentage is 18. That shows that for some unaccountable cause a change was made. I wish the second Tariff Board had kept that method so as to have uniformity. When we do not find uniformity in two inquiries by the same committee one is driven to the conclusion that there is something to hide and in no other way can we explain the change.

**THE HONOURABLE SIR HOMI MEHTA :** Does the Honourable Member mean to insult the Tariff Board ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I am simply comparing the two reports.

**THE HONOURABLE THE PRESIDENT :** I fail to understand what all this has to do with the Motion before the House today to take the Textile Bill into consideration ?

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I will explain. The quantum of the duty to be fixed is based on the Tariff Board report. If the Government say that they base it not on the Tariff Board but on their own sweet will, I will withdraw all my remarks.

**THE HONOURABLE THE PRESIDENT :** Not on their sweet will but on all the circumstances taken together.

**THE HONOURABLE MR. HOSSAIN IMAM :** Mr. Stewart, as well as the Honourable the Commerce Member, both based the quantum in this Bill primarily on the Tariff Board inquiry and it is this, Sir, that I am trying to point out. It is for this reason that I wish to examine——

**THE HONOURABLE MR. T. A. STEWART :** On a point of explanation, Sir. I think I stated in the course of my remarks in moving for consideration of the Bill that the foundation on which the Tariff Board has based their recommendations had entirely disappeared and that the foundation and framework of our protective scheme was to be found in the two agreements which have found so much mention today.

**THE HONOURABLE MR. HOSSAIN IMAM :** Do I take it that the Honourable the Commerce Secretary wishes us to understand that these two reports of the Tariff Board are a scrap of paper ?

**THE HONOURABLE THE PRESIDENT :** He has said nothing of the sort about it being a scrap of paper.

**THE HONOURABLE MR. HOSSAIN IMAM :** Is it based on this report or not ? This is a straight question to which I wish to have a direct answer.

**THE HONOURABLE MR. T. A. STEWART :** Sir, the proposals in respect of cotton piecegoods are not based on the recommendations of the Tariff Board. As I have said before, the foundations on which these recommendations were made have disappeared and our proposals are based (a) on the Indo-Japanese Agreement and (b) on the Mody-Lees Pact.

**THE HONOURABLE THE PRESIDENT :** And your statement was confirmed by the Commerce Member this morning ?

**THE HONOURABLE MR. T. A. STEWART :** That is so, Sir.

**THE HONOURABLE MR. HOSSAIN IMAM :** It is better that we realize it though late in the day. The Commerce Department after spending public money in making enquiries and going through all this trouble have scrapped the whole report.

**THE HONOURABLE SIR HOMI MEHTA :** Circumstances change every day.

**THE HONOURABLE MR. HOSSAIN IMAM :** They have no better foundation for the measure than a private agreement between two persons. That will shorten my work in reviewing the facts and figures which the Tariff Board has submitted to us.

Sir, I should like to say one word about the extent of the assistance. The specific duty which they propose for greys is greatly in agreement with the duty which Government are now proposing. They recommended five annas on grey goods, and Government has also put its proposals somewhat in the neighbourhood of that proposal. That shows that they were guided to a great extent by the Tariff Board enquiry. Now that the position has been clarified, I am not going to examine what I had otherwise proposed to do. But I should like to remark in passing that in Table LVI, when the Tariff Board of 1932 had placed the average work cost of different items at certain figures they took the price of cotton as it prevailed in those times. At the present moment, the cotton prices are much lower than what one finds from the Tariff Board report. In paragraph 89, the price which they took is 76 pies per pound, which corresponds to Rs. 310 per candy.

**THE HONOURABLE SIR HOMI MEHTA :** Which year ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I do not know. This is the price which they have given and on which they have based their calculations for protection.

**THE HONOURABLE SIR HOMI MEHTA :** Perhaps my Honourable friend does not understand this. They may have taken the cotton in the blow room and that may be the figure printed in the book to fix the price in cotton.

**THE HONOURABLE THE PRESIDENT :** It is true that they took the blow room price.

**THE HONOURABLE SIR HOMI MEHTA :** The Honourable Member does not understand the formalities or the technicalities of this problem.

**THE HONOURABLE MR. HOSSAIN IMAM :** The present price is not more than Rs. 167.

**THE HONOURABLE SIR HOMI MEHTA :** Rs. 200.

**THE HONOURABLE MR. HOSSAIN IMAM :** That is for fine Broach. That too today is Rs. 197-8-0.

**THE HONOURABLE SIR HOMI MEHTA :** It changes every five minutes.

**THE HONOURABLE MR. HOSSAIN IMAM :** In this connection, I should like to say a word about a remark of my Honourable friend Sir Homi Mehta. When I questioned him about the wages, he said he was giving us the figure for the whole of India. But, Sir, in Table LXXI of the Tariff Board report of 1927—the 1932 report does not give any figure of the work cost—the average wages are given as Rs. 1-2-5 in Bombay and as Rs. 0-10-3 in the upcountry for males, and for females Rs. 0-13-2 for Bombay and Rs. 0-6-4 for upcountry. This is my reply to his assertion that the Bombay and upcountry mill industry

[Mr. Hossain Imam.]

is paying Rs. 35 a month to its workers. The whole basis of the 1932 Board's report was the report of the Millowners' Association of Bombay. This had resulted in giving inflated figures for the cost as well as for the capitalization. Now, Sir, I come to the Bombay industry as such.

**THE HONOURABLE THE PRESIDENT :** I thought you had been all this time arguing about the Bombay industry !

**THE HONOURABLE MR. HOSSAIN IMAM :** In chapters IV and VI of the Tariff Board report the Bombay mill industry came in for a great deal of remark both from the Tariff Board of 1926-27 and from those who gave evidence before it. We have two big volumes of the representations which were made to the 1927 Tariff Board, although we have not yet got a report of what was done during this 1932 enquiry. Government has to admit that it owes a duty to three parties. It owes a duty to the consumer ; it owes a duty to the general shareholders of the industry, and it owes a duty to itself. The consumers want that the things should be cheap ; the shareholders require that their capital invested in the industry should return profits. Its own responsibility is to see that all the parties concerned have their due shares and that no one takes a share to the exclusion of the others ; including its own. Now, Sir, what has been the case in the Bombay industry ? During the boom period, as I said in the beginning, they did not make sufficient allowance for depreciation. They did not build up the industry to the standard of efficiency which their ample resources justified and demanded, and they now come to us for protection. They have been crying for help all the time. I remember that before 1925 there used to be a cry that all the trouble of the mill industry was due to the existence of the excise duty of three and a half per cent. From 1896 up to 1917 the Government of India, acting on the principle of free trade, maintained an import duty of three and a half per cent., with a countervailing excise duty of three and a half per cent. Then, in 1918, for the first time, a difference was made between the excise duty and the import duty. The import duty was fixed at seven and a half per cent. while the excise duty remained at three and a half per cent. This gave the industry a preference, or call it as I do protection, of four per cent. That did not satisfy them. The import duty was increased to eleven per cent. Thereby they got a protection of seven and a half per cent. Even that did not satisfy them. They were crying like that child we used to see in an advertisement of Pear's Soap " He won't be happy till he gets it ", and they got it. They got the excise duty off in 1926. At the time when this excise duty was abolished, from an official publication of the Millowners' Association we find that the cotton textile industry was paying the huge sum of Rs. 2 crores and 9 lakhs as excise duty to the Government. This was a free gift, a free gift of the people of India to the mill industry. And they had then a protection of eleven per cent. from 1926 onwards. Even this did not satisfy them. They came along and got more protection and the import duty was increased to 15 per cent. Although this was regarded as a revenue duty and was not given the name of a protective duty, in effect it was a protective duty. Although as a matter of fact since 1917 the Government has been giving them protection, still they were ungrateful enough to say that they had no protection, and then in 1930 for the first time we gave them protection, as such, of three and a half annas per pound on greys. Perhaps it will be remembered by the House that this imposition of a duty of three and a half annas was greatly resented by the country and by nationalist opinion in India because its acceptance was made conditional on the acceptance of the principle of Imperial preference. They

had the option of either taking 15 per cent. without any Imperial preference or of taking their pound of flesh and pledging the country to Imperial preference. The repercussions of that measure will be remembered by those who take an interest in the public affairs of India. After this the story of protection is not ended. During 1931 the Finance Member made a general increase of five per cent. all round in the tariff, and later in the same year in September a surcharge of 25 per cent. was added. These two items made the duty rise up to four and three-eighths annas per pound on grey goods. In the course of his remarks Sir Homi Mehta pointed out to us that the price of cotton in India was about two and a half annas per pound. In effect therefore we are making a present to the Bombay mill industry of its raw material free of charge and paying part of labour costs too. All the prices which the agriculturists get out of the mills is given by poor consumers as an extra charge in the shape of this import duty. But even when they get their raw material free of charge they say they will not be able to swim but will just be able to keep their heads above water. Sir, I have recounted the story of what the Government and the people have done already for this industry. Now I turn to examine how this industry has kept its own house.

The Government of India finds a similarity between itself and the managing agents of this industry and therefore they have a soft corner for this industry in their hearts. The Government of India here does not represent the people and in the same way the managing agents are not the representatives of the shareholders. The independent directors of the mills and the elected Members of the Legislature in both cases have no control. The peoples' representatives here just like the unconnected directors there in the mills are but puppets in the hands of the Government and the managing agents. In this connection I should like to tell the House a story of a very respectable Bombay business man whom I and some other Members of this House heard. He recounted to us, that he was the holder of a big block of shares in a company and that whenever the representative of the management used to come to him and ask for his proxy he always gave it freely. We see, Sir, that the managing agents have such a spell over people that they can get everything done simply by approaching them. In this way the managing agents have full control over the entire industry, as the Government of India has over the whole of India. Now, Sir, what are the directors? It is a well known fact that the first directors are appointed by the managing agents, and subsequently in the general meetings, there being no system of proportional representation and no provision for the whole board to retire at one and the same time, the result is that it is impossible to get a free director into the industry. Sir, I make the deliberate statement "that the Directors of Bombay companies are very largely composed of the members of the managing agents' firms".

**THE HONOURABLE SIR HOMI MEHTA :** That is not a fact, Sir.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, here is the report of the Tariff Board which says, and if it is wrong it is open to my friend to start proceedings against the Tariff Board —

**THE HONOURABLE THE PRESIDENT :** Order, order. I have very patiently allowed the Honourable Member for nearly an hour and a half to discuss matters which are not relevant to the Bill before us. I appeal to the Honourable Member now to confine himself to the Bill strictly and bring his remarks to a close.

**THE HONOURABLE MR. HOSSAIN IMAM :** Sir, I bow to your ruling and I shall always follow whatever orders you may be pleased to make. But as my Honourable colleague challenged me, I should like to point out to him the passage which I have quoted. This passage which I have quoted is from page 152, chapter 79 of the first Tariff Board's report.

*"The Directors of the Bombay mills are very largely composed of the members of the firms of managing agents".*

Now, Sir, I shall confine myself entirely to the Bill, and I shall leave aside all extraneous consideration. The Government has come to us to say that they are introducing a measure of protection. If it is a measure of protection, Sir, they have to establish that this measure will keep the industry on its legs and that it will be self-supporting. They have not discharged that function. Therefore we are entitled to question the present condition of the industry and to find out the prospects of its being able to stand on its own legs. It does not matter whether they rely on the Tariff Board or not. They have come for a measure of protection and they have got to substantiate it and in questioning that I am within my rights in criticizing the industry and its internal management. If they say it is a revenue measure, that they have brought it forward simply to find money, we have no quarrel. We cannot examine anything. The reason why we have the managing agency system is this. At the first stage no doubt in the development of the industry, it is true that it was necessary. But times have changed. The present condition is entirely different from what it was in those times. I am placing a statement\* (Statement "D") showing the shares held by the managing agents in different mills. The total shares of the Morarji mills are 1,150 of the face value of Rs. 1,000 each, out of which the managing agents hold 25 shares. In the Pearl mills, there are 8,000 shares —

**THE HONOURABLE THE PRESIDENT :** What has the shares held by the managing agents got to do with the Bill ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I am trying to show that the managing agents, because they have no stake in the industry and have all the control in the industry, are running the industry not to the advantage of the industry, but to the advantage of themselves.

**THE HONOURABLE THE PRESIDENT :** You have said enough today regarding the dishonesty or the incompetence or the inefficiency of the managing agents. The Council has been in possession of all those arguments of yours. I would request you now to proceed with the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM :** If you rule, Sir, that I am going out of the Bill, I shall not resume ; but I respectfully submit—

**THE HONOURABLE THE PRESIDENT :** I am afraid you are going out of the purview of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM :** I respectfully submit that I have a right to discuss the effect of the Bill on the industry.

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\* Reproduced as an Appendix at the end of these debates.

**THE HONOURABLE THE PRESIDENT:** The President has, under the Standing Order, the power to prevent repetition of the same arguments and I exercise that authority now.

**THE HONOURABLE MR. HOSSAIN IMAM:** I have never said anything till now about managing agents' shares.

**THE HONOURABLE THE PRESIDENT:** This argument you advance for the purpose of proving the dishonesty of the managing agents.

**THE HONOURABLE MR. HOSSAIN IMAM:** It is not the dishonesty of the managing agents ; it is the honesty —

**THE HONOURABLE THE PRESIDENT:** You have been speaking for three-quarters of an hour regarding the managing agents. You have advanced many arguments and those are quite enough, and I would ask you under the Standing Order, not to repeat them.

**THE HONOURABLE MR. HOSSAIN IMAM:** Do I take it as your ruling, Sir, that the managing agents' shares do not come under this Bill ?

**THE HONOURABLE THE PRESIDENT:** You have been talking for about three-quarters of an hour regarding managing agents. I do not say it has no bearing, but I may point out to you that to my knowledge most of the managing agents have a large stake in the concerns. I am speaking not without special knowledge of the matter. Most of the managing agents are substantially interested in the concerns. If some managing agents have sold their shares to meet personal exigencies or to meet their indebted condition, that is no reason ; that will not alter any opinion as regards the merits of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM:** Sir, definite allegations were made against the managing agency system before the Tariff Board. I have with me a copy of the representation to the Tariff Board submitted by the Bombay Shareholders' Association. Strangely enough a reply to this is published in the Tariff Board report, but the allegations do not find a place in the published work. They make definite allegations, Sir, about the Bombay Millowners' Association, and in their representation they brought to the notice of the Board the letters that had passed between them and the Bombay Millowners' Association. The Bombay Millowners' Association have not replied categorically to those allegations and I shall draw the attention of the House to that.

**THE HONOURABLE THE PRESIDENT:** Order, order. I understand that the Leader of the House has to attend a meeting of the Executive Council as well as the Member in charge. I will adjourn the House therefore till tomorrow morning.

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The Council then adjourned till Ten of the Clock on Saturday, the 21st April, 1934.



# APPENDIX.

## STATEMENT A.

*Profits of the Bombay mills during 1920, 1921 and 1922.*

Name of mill.	Profit.	Per year.	Face value.	Shares.
				Per cent.
Crown . . . . .	2,955	985	500	197
Swadeshi . . . . .	1,550	516	500	103
Petit . . . . .	1,850	616	1,000	61·6
Goculdas . . . . .	2,200	733	1,000	73·3
Fazulbhoy . . . . .	830	276	250	110
Dawn . . . . .	830	276	250	110
Bradbury . . . . .	455	152	250	61
Finlay . . . . .	455	152	250	61
Swan . . . . .	530	176	250	70
City of Bombay . . . . .	330	110	100	110

See page 83, paragraph 40 of the 1927 report.

## STATEMENT B.

(Extract from pages 77 to 81 of first Tariff Board report.)

Tables XLIII to L.

*Table No. 1—Over Capitalization.*

Without increase of spindles and looms.

Name of mill.	1918.	1925.
	from	to
Bradbury . . . . .	10·00 lakhs	24·85 lakhs.
China . . . . .	10·00 "	13·25 "
Finlay . . . . .	20·00 "	40·00 "
Swan . . . . .	10·00 "	24·00 "
Saraswati . . . . .	6·00 "	30·00 "
Sir Hukam Chand . . . . .	9·00 "	34·82 "
		(5% of S).
New Victoria . . . . .	22·00 "	135·00 "
		(less % of S).
Keshoram . . . . .	25·00 "	80·00 "
		(less % of S).
Total . . . . .	112·00 "	382·00 "
		340% of its first value.

## STATEMENT C.

(Extract from pages 77 to 81 of first Tariff Board report.)

Table No. 1.—Over Capitalization.

Without corresponding increase of spindles and looms.

Name of mill.	1918.	1925.	Increase.
Dimond (Jap.) . . . from	5.50 to	39 lakhs	(25% of S).
Kilachand . . . . "	9.00 "	38 "	(15% of S).
			(15,000 to 43,000 S).
Simplex . . . . "	15.00 "	22.50 "	(16% of S).
Ruby . . . . "	3.00 "	12.00 "	(25% S and 45% of looms).
Sir Shapoorji Broacha . . . "	50.00 "	74.92 "	(20% of S less 17 looms).
Khatau Makanji . . . . "	9.95 "	30.00 "	(50% of S—145% of looms).
Total . . . . .	92.45 "	216.42 "	

## STATEMENT D.

Agents' holding in some of the representative companies during the year 1932-33.

Company's name.	Total sharers.	Agents' holding.	Face value.
Morarji Goculdas . . . . .	1,150	25	1,000
Pearl . . . . .	8,000	210	250
Colaba Mand . . . . .	28,000	525	100
Fazalbhoy . . . . .	7,200	540	250
Swadeshi . . . . .	20,000	2,900	100
Ahmedabad Advance . . . . .	10,000	1,325	100
New Great Eastern . . . . .	11,500	900	200
New City of Bombay . . . . .	28,000	525	100
	113,850	6,950	
Total capital of the above mills . . . . .			158½ lakhs.
Agents' total holding . . . . .			9.20 "
Percentage of agents' holding . . . . .			5.2 per cent.

## Commission paid on productions.

Name.	1924.		1928.	
	Loss.	Commission.	Loss.	Commission.
Manockjee Petit . . . . .	4,37,000	4,38,000	2,94,381	2,76,986
Bombay Dyeing . . . . .	1,46,000	1,33,000	..	..
E. D. Sassoon . . . . .	—	..	21,07,773	1,20,000

## STATEMENT E.

Giving actual account and accounts based upon paragraph 93 of second Tariff Board report.

*The Bombay Cotton Manufacturing Co., Ltd.*

Total year's expenditure ending 31st March, 1924 = Rs. 32,23,172

...  $\frac{1}{2}$  = 10,74,390.

	Rs.
Interest at 6% . . . . .	= 64,500
Actual interest paid . . . . .	= 27,047
Excess . . . . .	= 37,453

Block at the rate in paragraph 94 = Rs. 33,00,000.

	Rs.
... Depreciation at 3 $\frac{1}{2}$ % . . . . .	= 1,23,750
... Profit at 8% . . . . .	= 2,64,000
	<u>3,87,750</u>
... The Commission of Agents at 10% of D. and P. . . . .	= 38,775
Actual payment . . . . .	= 21,800
Excess . . . . .	= 16,975

Potential profit after full depreciation =	Rs. 37,453 16,975 2,64,000
	3,18,428 on a capital of Rs. 22,44,770 or a return of 14.17%.

## STATEMENT F.

*List of mills with book value of land, building, plant and machinery with spindles and looms in 1924.*

Mills.	Spindles.	Looms.	Blocks.
			Lakhs.
Swadeshi (60) . . . . .	59,084	1,542	53.44
Standard (90) . . . . .	44,536	1,179	20.76
Moon (97) . . . . .	38,494	756	25.65
Bombay Cotton (85) . . . . .	33,648	795	28.92
Jam Co., Ltd. . . . .	30,520	874	13.95
Currimbhoy . . . . .	86,804	1,050	53.61
Fazulbhoy (05) . . . . .	52,256	1,976	16.43
Pearl (13) . . . . .	49,356	1,760	30.42
Union (88) . . . . .	38,176	866	12.24
Finlay . . . . .	46,072	812	15.24
	<u>4,78,946</u>	<u>10,610</u>	<u>270.66</u>

The cost according to paragraph 94 of the Board for 600 looms and 25,000 spindles = Rs. 24.75 lakhs.

Therefore the cost of above would be 18 $\frac{1}{2}$  times, i.e., Rs. 467.88 lakhs or 72 per cent. higher than actual.

## COUNCIL OF STATE.

*Saturday, 21st April, 1934.*

The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

### QUESTIONS AND ANSWERS.

#### ECONOMIC CONFERENCE AND RESOLUTIONS RECORDED.

149. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): (a) Will Government be pleased to lay on the table a copy of the agenda of the recent Economic Conference and the resolutions recorded?

(b) What steps do Government propose to take on their own account and by way of help to Provincial Governments as the result of this Conference?

(c) Has any special recommendation been made at the Conference to relieve the pressing problem of rural agricultural indebtedness?

(d) If so, what steps do Government propose to take in the matter? If not, why not?

THE HONOURABLE SIR ALAN PARSONS: I would refer the Honourable Member to the reply which I gave on the 17th instant to a similar question asked by the Honourable Maharajadhiraja of Darbhanga.

#### GOVERNMENT AID TO BIHARI EMPLOYEES OF THE PUSA INSTITUTE.

149. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): Will Government be pleased to state whether the Bihari employees of the Imperial Pusa Agricultural Institute have received any help from Government on account of the loss sustained owing to the recent earthquake?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Four have been given advances from their deposits in the General Provident Fund. One hundred and five have applied for an advance of three months pay each and the case is under consideration.

THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK: Will the Government be pleased to state how many Biharis there are in the Institute?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: That is a question of which I would like notice.

**AMOUNT OF LOSS AT THE PUSA INSTITUTE DUE TO THE EARTHQUAKE.**

150. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): Will Government be pleased to state the amount of loss at the Pusa Institute due to the earthquake under such heads as damage to buildings, crops and lands?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: According to a rough estimate the cost of repairing the damage to the buildings at Pusa would be Rs. 7 lakhs. No crops and agricultural lands were damaged.

THE HONOURABLE SAIYED RAZA ALI: In view of the extensive damage done to the buildings of the Agricultural Institute at Pusa, would Government be pleased to consider the advisability of removing or shifting the Institute from Pusa to some more central place easy of access?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: That is a question worth considering, Sir.

**INVESTIGATIONS AT THE PUSA INSTITUTE IN REGARD TO THE COMMERCIAL POSSIBILITIES OF MANUFACTURING PEARL BARLEY AND OATMEAL IN INDIA.**

151. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder): Will Government be pleased to say whether any research has been done at the Institute as regards the commercial possibilities of making pearl barley and oatmeal? If not, do Government propose to ask the Director of the Institute to undertake investigation of these two crops in order to produce a good quality of pearl barley and oatmeal?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Twenty-four varieties of Indian barley have been tried and numerous hybrids with European types have been raised at Pusa. The possibility of using some of these types and hybrids in the production of pearl barley is being investigated. Investigations on oats have been conducted in the botanical section at Pusa for some years and it is possible that some of the varieties raised might be used for making oatmeal.

**APPOINTMENT OF MUSLIMS AS HIGH COMMISSIONER AND INDIAN TRADE COMMISSIONER.**

152. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ: (a) Will Government be pleased to state the approximate dates on which the present High Commissioner for India in England and the Indian Trade Commissioner and Assistant Trade Commissioner are due to vacate their respective offices?

(b) Is it a fact that no Muslim has yet been appointed either as a High Commissioner or a Trade Commissioner or Assistant Trade Commissioner?

THE HONOURABLE MR. T. A. STEWART: (a) The present High Commissioner for India is due to vacate his office in July, 1936 and the Indian Trade Commissioner, London, in April, 1935. There is no Assistant Trade Commissioner but there is a Deputy Trade Commissioner, London. The present incumbent will vacate the post in June, 1934.

(b) Yes, Sir.

PERCENTAGE OF BENGAL MUSLIMS IN THE CUSTOMS OFFICE, CALCUTTA.

153. THE HONOURABLE KHAN BAHADUR SYED ABDUL HAFEEZ : Will Government be pleased to state the percentage of Bengal Muslims in the Calcutta Customs Office in the following classes of posts :

- (1) Collector and assistant collectors,
- (2) Appraisers,
- (3) Preventive officers,
- (4) Office superintendents, assistants and clerks ?

THE HONOURABLE SIR ALAN PARSONS : I regret that the information is not available.

DEMONSTRATIONS OF "GHOSH'S COTTAGE INDUSTRY COTTON SPINNING PLANT" AT THE DELHI EXHIBITION.

154. THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (on behalf of the Honourable Mr. V. C. Vellingiri Gounder) : Is it a fact that an exhibit at the Delhi Exhibition, "Ghosh's Cottage Industry Cotton Spinning Plant" is giving demonstrations every evening ?

THE HONOURABLE MR. D. G. MITCHELL : I understand that demonstrations were given of some such machine, but the Exhibition is now closed.

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BILL PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

SECRETARY OF THE COUNCIL : Sir, in pursuance of rule 25 of the Indian Legislative Rules, I lay on the table copies of the Bill to provide for the imposition and collection of an excise duty on matches which was passed by the Legislative Assembly at its meeting held on the 20th April, 1934.

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INDIAN TARIFF (TEXTILE PROTECTION) AMENDMENT BILL—  
*continued.*

THE HONOURABLE THE PRESIDENT : The debate will now resume on the Indian Tariff (Textile Protection) Amendment Bill.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, yesterday, at the end of the debate, I was discussing the replies and representations submitted to the Tariff Board by the Bombay Shareholders' Association. I simply wanted to bring to the attention of the House the meagre reply which the Millowners' Association gave to the specific allegations contained therein. I am referring the Honourable Member to pages 93 to 96 in which the Bombay Millowners' Association has replied to the points raised in that connection. That shows, Sir, that practically no attempt has been made to meet the case by substantiating their own claim that they have been doing a lot for the industry. I shall leave it at that.

[Mr. Hossain Imam.]

Now I come to the *piece-de-resistance*, the Bombay Millowners' Association's Pact with the Manchester Chamber of Commerce, the Mody-Lees Pact. Sir, the Millowners' Association has been in existence since 1885. During its long career, up to 1922, it formed part and parcel of the Bombay Chamber of Commerce whose Secretary used to be *ex-officio* Secretary of the Millowners' Association. During this period of 1875 to 1923, on twenty-two occasions the Presidents of the Bombay Millowners' Association were Europeans. It was only in 1923 that they separated from the Bombay Chamber of Commerce and had their own secretary. Sir, there is no doubt that every association is judged by what it does for the people whom it represents. The Bombay Millowners' Association can look round and see how little it has helped the industry. The mentality of the managing agents is that they regard everything as their own except that they do not invest money. The basis of this Agreement is that the United Kingdom will maintain the present rate of duty, and for the future, they have said that if the second surcharge is removed, they will then not ask for any protection. My quarrel with the Bombay Millowners' Association is that they were not the people who were directly concerned, and who were directly competing with the English goods. If we turn to the Tariff Board report, we find in paragraph 145 about the production of bleached goods in India. You will see that Ahmedabad is much more interested in these goods than the Bombay Millowners' Association mills. This point has been further brought out in the representation of the Ahmedabad Chamber of Commerce which they submitted to the Government at the conclusion of this Pact. In the Opinion that has been circulated to us, we do not find any refutation of these statements from the Bombay Millowners' Association. That forces us to the conclusion that they are irrefutable. This was sent to the Government as early as 30th December, 1933. It has long been before the public, and if the Millowners' Association of Bombay wished to contradict it, they had ample time and opportunity to do so. In this representation they say that although the protection in textile industry is 25 per cent. from Lancashire it is in effect only 17½ per cent. We must also consider the 12½ per cent. handicap of exchange.

"My Association maintains that there is a wide range of products in which Lancashire offers a serious competition to local industry. It does not consider it necessary to go fully into a detailed analysis of the competition as this is already dealt with in the oral and written evidence tendered before the Tariff Board of 1926 and 1932".

From the 1932 Tariff Board report, paragraph 145, we find that the proportion appears to be much higher at Ahmedabad for the eleven months ending 29th February, 1932. The total output of bleached goods was 95·07 million out of a total production of 135·81 million pounds including coloured, in grey and bleached. Out of this, the Millowners' Association estimate 30·20 million pounds as the output of bleached goods containing coloured yarn leaving a figure of 64·86 million pounds or approximately 50 per cent. of the total production as the output of plain bleached goods.

So far as Bombay is concerned we find that they produce only ten per cent. of the bleached goods for the same period while Ahmedabad produces 50 per cent. and yet the people who concluded this pact are those who were least interested. Their main line of business is in grey goods. It is for this reason we find that although there is a difference, the difference between the

specific duty on British and non-British goods is very small. We have four and three-eighths annas for British goods and five and a quarter annas for grey goods. But in the case of bleached goods and whites the difference is between 25 and 50 per cent. So the duty has been halved. My point is that if an agreement of this nature had to be entered into the real persons concerned with it, the Ahmedabad people who are more concerned in whites than Bombay ought to have been asked about it. That is my first charge against this pact. The second charge is that the Government has now plainly stated that they rely on these two agreements and have given the go-by to the Tariff Board report. Now, Sir, I ask to whose advantage has this Agreement been drawn? As far as whites are concerned we know and we have the assertion of the Millowners' Association that it does not serve their purpose. As far as greys are concerned, we heard yesterday a very impassioned speech and a very good case made out for Bombay by our Honourable colleague Sir Homi Mehta. He told us plainly that he does not regard 50 per cent. as an adequate protective duty.

**THE HONOURABLE MR. T. A. STEWART:** May I ask the Honourable Member whether he is referring to the Mody-Lees Pact or to the Indo-Japanese Agreement?

**THE HONOURABLE MR. HOSSAIN IMAM:** I was referring to the Mody-Lees Pact.

**THE HONOURABLE MR. T. A. STEWART:** There is no mention, Sir, of a 50 per cent. duty in that Pact.

**THE HONOURABLE MR. HOSSAIN IMAM:** That is what I am saying. This Mody-Lees Pact concerned Ahmedabad and they have disclaimed it while the Indo-Japanese Agreement is not approved of by the Bombay Millowners' Association. The result is that both the bases upon which you have built this Bill are objected to either by one party or the other.

Now, Sir, I come to the poor handloom weaver. These people are the real backbone of the industry. The number of people who derive their income from handlooms is far greater than those employed in the entire mill textile industry of India. Their output too is sufficiently great to justify them a place in the protective scheme of India. It can be said that the Government has done some good to the handloom industry; I admit that they have done a little, but I aver that that is not sufficient. The Tariff Board in its inquiry found that the handloom weavers are getting a bare subsistence or even less, and therefore the necessity for co-operative effort on their behalf, which the Government say they desire to make, is welcome. But I would ask the Government whether they cannot give us something more than the quarter anna they have promised.

By the Indo-Japanese Agreement we are promised that our production will find a market and in return therefor we are asked to consume Japanese goods up to 325 million yards. In this connection I wish to find out what is really the position of Government? From the speech in the other place we understood that the Government thought that by fixing a quota the prices of Japanese goods would rise and there would be no incentive to them to reduce prices. This assertion of theirs rather makes us oppose it because as consumers we cannot approve of any action of the Government which increases the price of our day-to-day requirements. But if it is true it also answers the charge by the millowners that by means of a 50 per cent. duty they are being hard hit. I simply want that the Government should clear the situation as to



[Mr. Hossain Imam.]

whether they are going to meet the consumer by cheapening goods or meet the millowners by increasing the prices of the commodities which they sell. If there is any difference of opinion about the Indo-Japanese Agreement it must arise from the textile industry. So far as the cotton growers are concerned I think they are grateful to Government for having drawn this Agreement whereby we have been assured of a market at least for a million bales.

I now come to those parts of the Bill which are not covered by either of these two agreements. I would refer in passing to silk. In connection with silk the Government has embarked on so much differentiation in rates of duties that anomalies have arisen up to which references were made in the other House. There are some items which discriminate between foreign exporters to the disadvantage of the consumers. Although in the other place some alteration was made, we still find that there are several cases left out, of which the Commerce Department have full knowledge. I may also draw your attention to the fact that in the Schedule an item has been included which was covered in the Bill which we passed for safeguarding the industries. I refer to hosiery. I am not going to say anything about it here. I am only making a passing reference. That is a question which we may have to raise. In conclusion I should like to know what the Government's real basis is. If it is a revenue measure they are justified in confronting us with it, but as a protective measure, it is no argument to say that I have entered into a pact with a certain party to do this and to do that. In the case of protection, they have to establish that they have taken steps to make the industry stand on its own legs. The Government has not relied on the Tariff Board's report. The real reason for doing so, which we are able to get at after a perusal of the report, is that the Tariff Board did not want to give Imperial preference. They state in paragraph 147 as follows :

" We have already explained in paragraph 102 our view that the grant of protection to the manufacture of piecegoods from imported cotton is not merely not inconsistent with the conditions laid down by the Fiscal Commission but must be regarded as a logical sequence of the grant of protection to the manufacture of goods from Indian cotton ".

Further on, they have remarked that the most that can be done to give preference is that there should be a specific duty as well as an *ad valorem* duty and the preference should be given in the *ad valorem* and not in the specific duty. They have also given the measure of assistance required per pound as follows :

Plain grey . . . . .	59 pics.
Bordered grey . . . . .	62 pics.
Bleached . . . . .	71 pics.
Dyed and coloured woven and printed goods . . . . .	76 pics.

The minimum specific duties were the real stumbling block which forced the Government to override the whole of the Tariff Board report. May I ask the Government if they make the Mody-Lees Pact as the basis of the protection, are they going to take any steps to put the industry in order, as for instance, to look into the managing agency business, to give facilities for enhancing the industries or helping them in other ways to stand on their own legs ? Yesterday we were told by Sir Homi Mehta that with this 50 per cent. they will not even be able to make any headway in the matter of depreciation. If that is a fact I would earnestly request the Government to undertake

another enquiry on the basis of the present conditions and help the industry if it requires help, or to reduce the burden on the consumers if there is no prospect of the industry standing on its own legs.

Sir, with these words, I oppose the Bill.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, two of the most outstanding features of the present session have been the Lees-Mody Pact and the Indo-Japanese Agreement. Before I refer to these I should like to mention a peculiar tendency prevalent in Indian politics, and that is, that however beneficent a measure may be introduced by Government, it is apt to be looked upon with suspicion, for hidden motives and discussion and criticism start with prejudice against it. This unfortunately has been one of the characteristics of the criticisms that we have heard. Last year when the Ottawa Pact was debated, I said that it was no use prejudging the Pact and that we had to look to the results of its working and then pronounce judgment one way or the other, and not to anticipate troubles which were not in existence. So far as the Ottawa Pact is concerned, the opportunity to pronounce a verdict is very near. As regards the Lees-Mody Pact, it was between two commercial bodies. It has been argued that they had no right to make such an agreement. If my Honourable friend Mr. Kalikar had been present, I would have referred him to some of the recent newspaper reports from Europe from which we glean that various organizations of merchants have taken upon themselves to enter into international agreements in connection with various industrial, shipping and other enterprises in which they are associated today, and if these international agreements between merchants are of any benefit the Governments of the countries concerned implement them in their legislation as in the present instance. Lancashire is already importing more Indian cotton, and cotton fabrics have been made. A special exhibition was held in London and Her Majesty the Queen Empress herself visited the exhibition and made purchases. Again, the increased export of cotton is of very great benefit to the cultivators ; no doubt, Sir, the greater the exports the larger the benefit to the country. With regard to the Indo-Japanese Pact, His Excellency Mr. Sawada said that the Pact will be observed both in the letter and in the spirit, some vague suspicions however arose to the effect that the signing of the Pact was due to the passing of the Tariff Bill in the other House the other day. At the same time it may be noted that Japan is about to undertake arrangements for growing cotton in Manchukuo and Abyssinia. What effect that will have upon the export of Indian cotton no one can foresee.

There is another aspect with regard to Indian cotton. There is want of proper grading. Exporters mix superior with inferior qualities ; they put in extraneous material and they also water the cotton, with the result that the credit of Indian cottons sank very low in some cases. Not only is this the case in cotton alone but with other commodities as well. Exporters complain that exports have fallen off. Is that not due to their own fault ? Because of such practices buyers have lost confidence in the quality of India's products.

Sir, the Tariff Board has exposed the faults and defects in the managing agency system. It has also said at the same time that all the millowners are not alike and there are many honourable agents of outstanding position who never resort to the practices it has detailed. It recommends revision of the Companies Act. The Tariff Board further says that a few even of the first class mills do not now need protection. Five years therefore is a sufficient time for the mills which are lagging behind to put their house in order or to

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

close down. It has been said that there are 500 mills in India! I presume that all these will be benefitted by the provisions of the Tariff Bill and not Bombay mills only?

Sir, the Honourable Sir Homi Mehta referred to the capital invested in the Bombay mills. The original capital was Rs. 80 crores; in 1931 it had become reduced to Rs. 13 crores and in 1934 it is still less! Is it contended that the millowners have appropriated the difference of Rs. 70 crores and looted the people? I deny the charge, Sir. In India, the production of yarn costs 60 per cent. and of cloth 300 per cent. more than in Japan. While a Japanese girl worker looks after 20 to 30 looms, the Indian male worker resents handling even three or four. It is very surprising that none of the previous speakers have even alluded to the important factor of labour in India, nor said anything about the grave disadvantages under which India suffers. In every department of the mill more labour is employed than in Japan or Lancashire: it works longer hours and its production is less than that produced by a smaller complement working for lesser hours. Rationalization has been objected to on the plea that it increases unemployment. It must be admitted that it is true. Wherever mechanization has been introduced upon a large scale, especially in American industry, the number of workers have been greatly reduced and in some of the huge concerns in America where the factories formerly employed thousands of operatives, they now employ a few hundreds only. That, Sir, is due to the march of science; it is probable that the progress cannot be stopped; measures have however been devised in America to alleviate the conditions of those who are thrown out of work.

The Honourable Sir Homi Mehta also referred to the Japanese industry. The whole industry is worked by female labour and as he said they are housed and fed within the premises. They are also taught domestic arts, reading and writing, etc., during the time they are under employment. Their salary is about 30 yen as recently stated by Mr. Findlay Shirras in the *Times of India*. They spend half of it on food and personal necessities, part of it is sent to their parents and part saved which accumulates with interest with the millowners. After about three years they leave with a snug little sum which is in fact their dowry and immediately they are replaced by another set. There is no slavery there as implied and the girls are well looked after by women supervisors. Japanese mills work in two shifts.

As regards Indian labour, I do not wish to enter into details having regard to the times we are passing through. Those Honourable Members who take an interest in the subject can profitably consult Mr. Arno Pearce's book. His opinion is most disheartening when he says that under no circumstances would Indian labour come up to the efficiency of the Japanese. Not only is it discontented with what it has, but it has been reported that it is encouraged to put forth fresh demands, e.g., that labour and capital should control mill management and there should be a profit-sharing scheme. Those who encourage such ideas have no conception of the conditions under which such arrangements can be made. Well, Sir, what next? Perhaps the time will come when labour will ask millowners and shareholders to walk out and give over the mills entirely to the control of the workers to become their property!

Sir, I support the Motion for the consideration of the Bill.

THE HONOURABLE MR. T. A. STEWART (Commerce Secretary): Sir, from the general tenor of the debate I take it that the majority, in fact all

Honourable Members who have spoken, are prepared to accept the Bill on the whole. There is no need, therefore, for me to enter on a defence of the Bill as such and I shall merely answer a few of the more important criticisms that have been offered in the course of the debate. In doing so, I find that the criticisms divide themselves up naturally into groups and I take first of all the Indo-Japanese Agreement. The Honourable Rai Bahadur Lala Mathura Prasad Mehrotra very plaintively said that in view of the fact that the Agreement had only been initialled two days ago this Honourable House had not had sufficient time to consider its terms. The Agreement, Sir, was published on the 8th of January. The Honourable Rai Bahadur Lala Jagdish Prasad expressed his doubt—a doubt which has arisen, I think, from his misreading of a newspaper paragraph whether the most-favoured-nation clause had been dropped from the Agreement. I am not in a position to say what was or was not contained in the diplomatic document that was initialled two days ago but I can say that the essentials of the Agreement which was published on the 8th January, 1934 (which forms partly the basis of this Bill) have not been departed from.

A very pertinent inquiry has been made by the Honourable and gallant Major, who asked, "What does India get out of this Agreement"? What benefit is there in the exchange of 400 million yards of piecegoods for one million five hundred thousand bales of cotton? Well, I suggest to the Honourable Member who made that query that, when he has a little spare time, he should get a pencil and a piece of paper and work out the figures, and he will find that the value of the raw cotton is three times the value of the piecegoods.

The Honourable Sir Horni Mehta, as I expected, is not altogether pleased with the Indo-Japanese Agreement. He said that a rate of 50 per cent. *ad valorem* will do no more than help the industry to keep its head above water. He has, I think, failed to, or perhaps has not tried to, appreciate what will be the effect of the restriction in quantity of imports. As I anticipated, the Mody-Lees Pact called forth more criticism. Mr. Kalikar objected on constitutional grounds. He indicated that to give recognition to this Pact was an abdication of power by Government. In spite of the fact that Government reserved to themselves the right to make any alteration it wished in that Agreement—and it has made an alteration in it before putting it into the Bill—in spite of the fact that that Agreement, so far as it is incorporated in the Bill has been before both Houses of the Legislature, Mr. Kalikar still holds that this is an abdication of power. I am afraid it is impossible to see how he arrives at that conclusion and if he has an objection on the ground of constitution, I suggest it is not the constitution of the country but it is a matter that must be entirely personal to himself. It has been argued that one party to the Agreement—the Millowners' Association, Bombay—is not representative of the industry, and in support of that proposition two sets of facts have been adduced. There have been quoted to us a number of associations and chambers of commerce who have protested against the acceptance of the Agreement. Now, I hope that the Honourable Mr. Kalikar will excuse me if I do not place the same importance on representations of that sort as he apparently does. It has been my experience in the past year that, if in the neighbourhood of say, Cape Comorin, a Chamber of Commerce has a grievance against Government, it frames its grievance and circulates it to Chambers of Commerce in Calcutta, Peshawar, Bombay and so on and on one and the same day there comes a flood of telegrams, each of them identical, each of them pressing on Government the grievance of Cape Comorin. I do not think it does them very much good and it does not help us, but my Honourable friend

[Mr. T. A. Stewart.]

Mr. Mitchell no doubt makes something out of the telegrams. The Honourable Mr. Hossain Imam put forward a more material argument. He said, in other words, that the Millowners' Association of Bombay had sold the pass for Ahmedabad and in support he quoted what was the proportion of certain goods manufactured in Ahmedabad and what was the proportion in Bombay. Well, it is easy to prove anything by proportions and by percentages. But suppose we take the figures of actual production. Let us take the production of the finer counts in Bombay and in Ahmedabad.

THE HONOURABLE MR. HOSSAIN IMAM: From what are you quoting the figures?

THE HONOURABLE MR. T. A. STEWART: The figures I am quoting have been extracted, I think, from the cotton spinning and weaving statistics. I frankly admit I am not quoting from the original document. Bombay in 1931-32 produced 42 million pounds of the higher counts against which Ahmedabad produced 34 million pounds. In 1932-33, despite a very large restriction of production in Bombay, 44 million pounds of the higher counts were produced, and Ahmedabad produced 39 million pounds. I do not wish to say anything which would be taken to mean that I have not the greatest respect for the go-aheadness of Ahmedabad, but at the same time, one must recognize the facts, and the facts are that Bombay even yet produces more of the finer counts than Ahmedabad.

Mr. Kalikar, as an argument against the acceptance of the Pact, referred to the attitude that had been taken up by the Manchester Chamber of Commerce in their evidence before the Joint Select Committee. Now, I do not wish to do Mr. Kalikar an injustice, and if I am wrong in my supposition, I shall certainly withdraw. But from what he said, Sir, it appeared to me that he had derived his information at second-hand, not at first-hand. He said that after the signing of the Mody-Lees Pact, the Manchester Chamber of Commerce put such-and-such a memorandum before the Joint Select Committee. Now, if he had read the proceedings of the Joint Select Committee he would have realized that when the first question was put to the first Lancashire witness, his reply was that he was unaware of the terms of the Agreement that had been effected in India. Mr. Kalikar also gave the most sinister interpretation to one claim of the Lancashire delegation which he, I believe, wished to suggest was characteristic of their whole attitude. I would again refer Mr. Kalikar to the original documents and if he reads the questions and answers that were exchanged before the Joint Select Committee, he will find that the Lancashire delegates were very highly complimented for their moderation, not by Lord Derby, not by Sir Samuel Hoare, but by the Indian delegates on the Joint Select Committee.

There has been considerable talk about the managing agency system and I conceive that there has been much misconception about it and its relation to this Bill. It is true that the Tariff Board carried out an enquiry regarding the managing agency system, but it is equally true that the recommendations of the Tariff Board that protection should be given to the industry and in respect of the measure of protection—though we had to reject the measure of protection they recommended—had nothing to do with the managing agency system. Whether or not it had existed, these recommendations would have been made. At the same time I may say that the Government

of India are not unmindful of the necessity of proceeding with the amendment of the Indian Companies Act, and I may say that the managing agency system will at the same time as other defects in the Act come under scrutiny.

The Honourable Rai Bahadur Lala Mathura Prasad Mehrotra put to me two questions. He asked, "What will be the revenue effect of this measure?" That was the first question, and it is a question which it is very difficult to answer. The measure is not in the first place a revenue one. In fact, it is possible—it so often happens in the case of a protective measure—that it may have a deleterious effect on our revenue. But so far as I remember, in the first year of its operation, it will mean a fairly considerable increase in revenue on the group of commodities which are included in the Bill. But I think it must be anticipated that in the future the revenue returns will drop off. The Honourable Rai Bahadur, thinking of his recent experience in respect of sugar, has asked me whether I have an excise duty up my sleeve. Sir, I assure him there is no excise duty here. Mr. Banerjee, in his speech, confessed to two dislikes, the Bombay millowners and this Bill. But while he attributed his dislike of the Bombay millowners to such mysteries as the abuse of block capital and things of that sort—I do not know what they mean, Sir,—his main objection to the Bill was its name. I am sorry, Sir, that he and the Legislative Department do not see eye to eye in this matter, but he must forgive me if I prefer the advice of our Legislative Department. Mr. Hossain Imam does not like the Bill either. I have learnt this about him that when he gets up we must look for some shrewd blows. We were not disappointed on this occasion. But he was quite impartial. It did not matter whether it was the Government of India or the Commerce Department or the Bombay millowners or the Agricultural Department; he laid about him. But the cruellest and unkindest cut of all was the one he dealt to the Indian Central Cotton Committee. He professed ignorance that any investigations were being carried on by that body. He almost denied even its existence when he said that nothing was being done to encourage the expansion of the growth of long staple cotton.

THE HONOURABLE MR. HOSSAIN IMAM: I am sorry, Sir, if I gave that impression; I meant, Sir, that sufficient was not being done—that sufficient efforts are not being made.

THE HONOURABLE MR. T. A. STEWART: I am sorry, Sir, if I misunderstood what the Honourable Member said.

Well, I shall leave the Bombay millowners to look after themselves, but I must repudiate the suggestion that we have suppressed the evidence that was laid before the Indian Tariff Board. We are not responsible for the publication of that evidence. We never have published the evidence. It has invariably been published, in its own good time, by the Tariff Board. So far as I have been able to find out, on no occasion on which a tariff Bill based on a Tariff Board report has been introduced into the Legislation has the evidence of the Tariff Board been available. I do not think that on any occasion it has been quoted in the course of debate, and in case the Honourable Member may think that I have an unfair advantage of him, let me say that even the proofs of the evidence have not been in our hands until a week or so ago. I personally have not read them.

The Honourable Mr. Hossain Imam proceeded to discuss the question whether the textile industry had fulfilled the conditions which are prescribed by the Indian Fiscal Commission.

11 A.M.

The first one he admitted was fulfilled. As regards the second one, so far as

[Mr. T. A. Stewart.]

I could make out after listening to him for a long while, I do not know that he came to any conclusion, but he certainly made it a peg on which to hang his views on the Bombay mill industry. Sir, I am not here to offer any remarks as regards their efficiency or inefficiency. The Honourable Member however claimed more categorically that the third condition was not fulfilled and his claim I think is based on a misconception of what the Fiscal Commission meant. He apparently claims that when a Tariff Board reports it should be in a position to say that on such and such a date protection must be determined and if the industry is not fit to carry on then, no more can be done for it. I think experience has shown, I think commonsense would indicate, that it is impossible to predict what are going to be the precise economic conditions of the next three, four, five or ten years. It is impossible to fix a final period with the exactitude that is demanded by the Honourable Member. The Tariff Board was reluctant to commit itself to such a date. But when it came to the conclusion that this industry required substantive protection and had established its claim thereto, it was inherent in that finding that the Board had come to the conclusion that the industry could within a reasonable time dispense with protection.

I think, Sir, in these remarks I have reviewed the more important of the criticisms that have been offered, and I trust that Honourable Members will still be of opinion that the Bill is worthy of acceptance.

**THE HONOURABLE THE PRESIDENT :** The Question is :

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

**THE HONOURABLE THE PRESIDENT :** We shall now proceed with the next stage of the Bill dealing with clauses. We cannot in this Bill deal with clauses till we have got the Schedule fully disposed of. I will therefore proceed with the Schedule.

Items 1 to 8 of the Schedule were added to the Bill.

**THE HONOURABLE THE PRESIDENT :** The Question is :

"That item 9 stand part of the Bill".

**THE HONOURABLE MR. T. A. STEWART :** Sir, at this stage might I make a suggestion for the consideration of the Honourable Mr. Hossain Imam? In looking at his series of amendments they appear to me, and I hope he will correct me if I am wrong, to be all of the same nature. I suggest to him that it might be possible that on the first of those amendments the discussion of points of principle might be concluded and the moving of the subsequent amendments should be merely a formality.

**THE HONOURABLE MR. HOSSAIN IMAM :** I intend to do that, Sir. I rise to move :

"That in the Schedule to the Bill in Amendment No. 9 for item No. 158 the following be substituted, namely :

‘ 158 Cotton Twist and Yarn, and cotton sewing or darning thread—			
(i) of counts above 50's.	<i>Ad valorem</i>	.	5 per cent.
(ii) of counts 50's and below.	<i>Ad valorem</i>	.	5 per cent. or 1½ annas per pound, whichever is higher."

Sir, as the Honourable the Commerce Secretary has rightly gauged, all these amendments with the exception of the last two are based on one and the same principle. In this I have claimed that there should be no Imperial preference. The reason for my opposition to Imperial preference is not that I am actuated by any malice towards Britain or that I do not wish to establish friendly relations with Great Britain or that I do not wish to co-operate with the British Government and British industries. The only thing which prompts me to bring forward this amendment is that the Government has not shown what we are getting in exchange for this concession. We have been promised that Lancashire will make efforts to popularize Indian cotton. That is a very indefinite and, if I may say so, worthless promise. At the time of the Ottawa Agreement we discussed Imperial preference from a different point of view than the one from which we are discussing it today. There we had before us the figures of the goods in which we have given preference and their values for one year. In the same way we had before us the values of the goods in which we will give preference to England and so could judge on material facts and see how far we are gaining or losing. If Government wish to stop foreign goods from coming and if they wish the industries internally to prosper, then there should be a high tariff wall against all foreign goods; if they wish to serve the consumers and believe in free trade, there must be low tariff walls and they should be of the same height against everybody. We know that in matters of commerce, prices are regulated not by what is the actual cost but how the majority of the goods consumed in the markets are priced at. If we find that 75 per cent. of our requirements is available at a certain figure, say Rs. 3 a pound, then all who want to compete and enjoy our custom have to sell it at Rs. 3 a pound. That is not a figure applicable to yarn; I have only taken it as an illustration. If therefore we give preference to England, it means simply that we are giving them so much as bounty; otherwise they have to reduce their prices or keep out. Government have not supplied us with any information to show the amount of yarn which is coming from Great Britain and which will get this preference and what is the amount of cotton which we have exported in excess of what we did during the last financial year 1932-33. I am told that at the moment the preference given is of very great value. If we rely on the figures of 1929, it comes to an enormous amount. If we even take the value of the goods imported during the last calendar year, we will find that we are giving preference on a large number of items and of great value. By bringing forward this amendment, I simply wish the Commerce Department to state what *quid pro quo* we are getting for the preference we are giving. I am not satisfied with suppositions that this will happen and that will happen. I want it in black and white.

Sir, I move this amendment.

THE HONOURABLE MR. T. A. STEWART: Sir, I rise to oppose this amendment. My reasons for doing so are as follows. I would suggest in the first place that the Honourable Member is in error in calling the amount of difference between the duties on non-British goods and the duties on British goods a preference. This, Sir, is a differential duty and differential duties have been in existence in our tariff for some considerable time before Ottawa was conceived. It is I think an essential part of the policy of discriminating protection, when it is possible, to impose differential duties. If the competition from two different types of articles is not identical, then it is inherent in the policy of discriminating protection that the consumer should not be penalized by the imposition of an unnecessary duty on any one of these articles. But even if it were granted that this is a preferential duty, even if it were



[Mr. T. A. Stewart.]

admitted that the grant of a preference is undesirable, I would still resist this amendment. And the reason is this, that in our belief the duties which are now proposed to be applied to goods of foreign origin are not sufficient. I understand of course that my Honourable friend would, but for constitutional difficulties, prefer to put the duties the other way round. He has asked, what is the *quid pro quo*? He has explained his ignorance of the volume of trade that is passing backwards and forwards. He says, "How do I know how much yarn is coming from the United Kingdom and how much from the other countries?" I would commend to his attention a useful publication called the "Accounts relating to the Sea-borne Trade and Navigation of British India", which is published monthly. I do not know whether he receives a copy.

THE HONOURABLE MR. HOSSAIN IMAM : We do not.

THE HONOURABLE MR. T. A. STEWART : In that case I would refer him to the Library where there is a sufficiency of copies which will give him all the information he requires. In the circumstances I have no option but to oppose his amendment.

The amendment was negatived.

THE HONOURABLE THE PRESIDENT : I do not know under the circumstances if you propose to withdraw your amendment No. 4.

THE HONOURABLE MR. HOSSAIN IMAM : I do not wish to make a speech. When I gave notice of this amendment, I was not in possession of all the facts. I did not know what was the opinion of the Millowners' Association and of the textile industry. I now know that they want even greater protection than what the Government has given. Therefore I do not intend to move my amendment No. 4. I do not also intend to move my amendment No. 5.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to move the amendment which stands in my name and which reads thus :

"That in the Schedule to the Bill in Amendment No. 9 in the second column of the proposed item 158-E. in sub-item (i) after the word 'pongee' the words 'Canton Satins, Paj, Gauze and Ghatpote' be added and in sub-item (ii) after the words 'Fuji, Boseki and corded (excluding white cord)' the words 'Canton Crepes' be added."

Sir, in moving my amendment I must confess at the outset that the task of those who formulated the Textile Bill was a most difficult one. The Honourable the Commerce Member deserves therefore our sympathy as much as his merited mead of appreciation. If the Bill however, like other human institutions, is imperfect, it is not because the Honourable the Commerce Member and his colleagues laboured less to remove its imperfections but the task which confronted them bristled with complexities and difficulties. If I have been encouraged to bring forward my amendment, Sir, it is not because I wanted to add even by an iota to the difficulties of the Honourable the

Commerce Member, but because I wanted to afford him the opportunity of rectifying a most serious injustice which in spite of his best efforts has crept into the Bill and is likely to influence most seriously the trade between India and a country which has continued to be a friendly neighbour for centuries—I refer to China.

In the other House, Sir, when a suggestion similar to that incorporated in my amendment was made to the Honourable the Commerce Member by Mr. Thampan, the Honourable the Commerce Member pleaded his disability to accept or to reject his suggestion since he had not had sufficient time to consider it. He, however, gave the assurance that in case the suggestion was placed before his Department he would give it the most careful consideration, and if he was convinced that the occasion called for action he would take the first opportunity of amending the Bill. Sir, I have no doubt his Department has had ample time to consider the relevant facts and figures relating to the injustice implied in my amendment and that Government will seize the opportunity I have offered them for amending the Bill.

The position briefly stated, Sir, is this. In order to afford protection to the sericulture industry in India which during recent years has had to meet terrific competition from foreign countries, the Tariff Board recommended amongst other things the imposition of an *ad valorem* duty of 83 per cent. on all silk piecegoods imported from outside countries. Government for reasons explained by the Honourable the Commerce Member in the other House preferred to impose an *ad valorem* duty of 50 per cent. and a specific duty of Rs. 2 per pound on all silk piecegoods. In amending the recommendations of the Tariff Board Government may have obtained certain advantages for the Indian manufacturer, but they have certainly created serious anomalies which deserve to be rectified unless it is the intention of the Government to pass a most imperfect measure. That this is not the intention of Government is obvious from the fact that Government accepted in the other House an amendment of Sir Cowasji Jhangir which was based on identically the same reasons which it is my privilege today to advance in respect of those piecegoods which are included in my amendment.

Sir, it happens that Japanese silk piecegoods are very much lighter in weight, finer in quality and higher in price as compared to Canton silk piecegoods which are heavier in weight, coarser in texture and lower in price. The Canton silk piecegoods according to the Tariff Board are of waste ordinary dupion silk and do not compete directly with Indian silk. I also understand that India does not produce any silk piecegoods of a competitive quality. Consequently the nomenclature accepted as part of the Bill is arbitrary and does not refer to any specific or standard quality of silk piecegoods. The result is that a duty on weight, quality and price between Canton silk piecegoods and Japan must necessarily weigh heavier on fabrics from the former country and would obviously operate as an injustice against China. I have before me, Sir, a table\*, which I need not read but which I lay on the table for the information of Honourable Members, which shows that under the present rate of assessment the incidence on Canton silk piecegoods would be approximately 96 per cent. at the average whereas in the case of Japanese silk piecegoods it shall be 73½ per cent. at the average. Why, I ask Sir, should there be a difference of as much as 22½ per cent. between goods from the two countries? Is not China entitled to say that this is discrimination, however much we might make professions to the contrary? While this table shows

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\*Reproduced as an Appendix at the end of these debates.

[Rai Bahadur Lala Ram Saran Das.]

the general position for the benefit of the House I would like to give a few comparable examples which are sure to prove illuminating :

Measurement.	Price.	Weight.	<i>Ad valorem</i> duty at 50 per cent.	Specific duty at Rs. 2.	Total duty.	Percent- age.
	Rs. a.	lbs. oz.	Rs. a.	Rs. a.	Rs. a.	
1. Paj (Jap.) 27" × 25 yds. .	6 8	0 9	2 3	1 2	3 5	75
„ (Canton) 27" × 26 yds.	6 2	2 0	2 0	4 0	6 0	150
2. Paj (Jap.) 36" × 26 yds. .	9 0	0 11	3 0	1 6	4 6	75
„ (Canton) 36" × 25 yds.	7 12	2 8	2 9	5 0	7 9	147
3. Satin (Jap.) 27" × 25 yds. .	28 0	2 2	9 5	4 4	13 9	70
„ (Canton) 27" × 25 yds.	27 8	3 13	9 3	7 10	16 13	91

I have here a number of samples of comparable silk piecegoods from China and Japan which, if the Honourable the Commerce Secretary or other Honourable Members like to see, I can lay on the table. It will be seen from the above samples that Paj of the same length and breadth and selling at the same price weighs nine ounces in the case of Japan and two pounds in the case of Canton. The specific duty on the former being Rs. 1-2-0 per pound and on the latter Rs. 4 per pound. Satin of the same length and breadth and of the same price weighs two pounds two ounces in the case of Japan paying a specific duty of Rs. 4-4-0 per pound, while it weighs three pounds thirteen ounces in the case of Canton paying a duty of Rs. 7-10-0 per pound. I ask, Sir, could there be a more glaring example of injustice? I realize, Sir, that my amendment does not place China and Japan at par and that Canton silk piecegoods would still have to pay a higher duty than Japanese silk piecegoods. If I have not suggested a more radical change to equalize the position it is because I do not desire to seriously upset the arrangement resulting from the Bill. If my amendment is accepted the result would be merely, Sir, that while at the average Japanese goods will continue to be assessed at 73½ per cent. the averages of incidence on Canton silk piecegoods would be reduced to approximately 80 per cent. I realize, Sir, that in accepting my amendment Government may point to one formidable difficulty, namely, a drawing of a distinction between Canton silk piecegoods and other silk piecegoods. I however, find, Sir, that for purposes of tariff Canton silk piecegoods have been distinguished for several years in the Tariff schedule as is obvious from Schedule No. 2 of the Indian Customs Tariff and Table 113 of the Statutory Schedule. My amendment therefore does not make any departure from an accepted precedent. But I am prepared, Sir, if the principle of my amendment is accepted, to agree to any other reasonable alternative that Government might have which can eliminate the injustice considerably if not wholly which has found reference not only in this House but also in the other House and in the

Select Committee. But in the absence of any constructive proposal on behalf of Government they have no alternative but to accept the amendment I have proposed unless they desire to create the impression that India has special considerations for Japan and that India does not desire to encourage the import of Chinese goods. Sir, I know I will be told that in Sir Cowasji Jehangir's amendment in the other House two qualities of silk piecegoods predominantly come from Japan and two from China. Sir, this was a fallacious plea and if the Honourable the Commerce Member had known the full facts I am sure he would not have made it. The silk piecegoods which the Honourable the Commerce Member suggested come from China and form part of Sir Cowasji Jehangir's amendment, only technically come from that country because they all come from Shanghai which is an international port and are mostly manufactured in Japanese factories. Sir, if the Honourable the Commerce Member had not assured us that he was as keen as we are to prevent any discrimination or injustice against or to any country I would have pressed for the acceptance of the recommendations of the Tariff Board and the imposition of an *ad valorem* duty. But in view of the assurance of the Commerce Member I feel encouraged in the hope that moved as we all are by the same single motive of justice and fair play the Honourable the Commerce Member would have no hesitation in accepting my proposal, or in the alternative of putting forward an equally constructive proposal, the object being to eliminate the injustice to which I have made reference and which Government themselves feel is implicit in the Bill. I roughly calculate that by accepting my amendment Government may lose a lakh and a half but in the position as it emerges from the Bill they might lose much more if the imports of China stop or decrease. This will mean a loss of Rs. 12 lakhs.

With these few words, Sir, I put forward my amendment for the favourable consideration of the House.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, I rise to support the amendment of my Honourable friend Rai Bahadur Lala Ram Saran Das. Sir, the position regarding Canton silk piecegoods which my Honourable friend has disclosed certainly gives one the impression that a serious injustice is likely to be done to China against Japan if the mistake is not rectified in the Bill. The assurance given by the Honourable the Commerce Member in the Lower House is proof of the fact that Government themselves are cognizant of the disparity to which reference has been made by the Honourable the mover of the amendment. The object of the present protection is to protect Indian manufacturers from cheap imports coming from countries with a depreciated currency. I have seen figures for the last several years to show that so far as China is concerned the Chinese dollar has considerably appreciated during recent years and therefore the question of a depreciated currency does not arise in the case of China. But besides the advantage which Japan gets under the present Bill in respect of it, the depreciation of its currency will give it another advantage over China, and Japanese manufacturers will doubly benefit at the expense of the Indian consumer and Chinese manufacturers without Government gaining anything in the bargain. China, Sir, has been a friendly neighbour and is a purchaser of large quantities of Indian cotton. While we are entitled to give the fullest protection to our Indian manufacturers, we should certainly see that nothing is done which should be interpreted in the nature of discrimination against Chinese goods. In any case we should not allow the manufactureres of Japan to have unfair advantage over the manufacturers of another friendly country. The facts and figures disclosed

[Rai Bahadur Lala Jagdish Prasad.]

by the Honourable Rai Bahadur Lala Ram Saran Das are sufficiently convincing to show that a serious disparity exists under the Bill between Japanese and Chinese silk piecegoods. The amendment of my Honourable friend if accepted does not completely eliminate this disparity but it certainly goes a great way towards equalizing the position between the two countries. I have no doubt Government will accept the amendment and thereby remove a serious imperfection which is contained in the Bill and which I understand Government also tried on their part to remove both in the Select Committee and in the Legislative Assembly.

THE HONOURABLE MR. T. A. STEWART: Sir, I would express my appreciation of the very reasonable terms in which the Honourable mover of the amendment has supported his Motion. It is evident that he fully realizes the difficulties which have confronted us in framing the scale of duties for silk piecegoods. It is with the more regret, therefore, that I feel myself obliged to oppose the amendment. But I would have him believe that if I oppose his amendment on this occasion, it does not mean that the justice of the case that he has represented is now being denied. It may be perfectly true that the particular qualities of silk to which he has made reference are disproportionately hardly treated by our proposals. But I would assure him that it is quite impossible to examine the validity or invalidity of his thesis at the present time and the most I can do is to reiterate the assurance which was given by the Honourable the Commerce Member in another place, namely, that we will make it our duty to investigate any such anomalies as he has now brought to notice. But might I offer one word of warning? The necessity for it has been suggested by two remarks that have been made in this Honourable House. Yesterday the fact that the Honourable the Commerce Member promised to investigate the propriety of the proposed duties on heavy weight vests was translated by one Honourable Member into an "implied admission of error". A few minutes ago, the Honourable Rai Bahadur Lala Jagdish Prasad made a remark which if not in the same words suggested that the Honourable the Commerce Member's readiness to investigate the case of Canton silk was again an admission of an error. I wish to emphasise, Sir, that in no ways is that promise to be construed as an admission of error. It is an admission of open-mindedness and of readiness to investigate and to take a decision after the investigation is complete.

Again, Sir, I regret that I must oppose the amendment.

THE HONOURABLE THE PRESIDENT: Do you wish to press your amendment?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, in view of the assurance given by the Honourable the Commerce Secretary, I do not wish to press my amendment.

The amendment\* was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT: Honourable Mr. Hossain Imam, I presume that for the same reasons you will not move Nos. 7, 8 and 9?

\*Vide page 820, ante.

**THE HONOURABLE MR. HOSSAIN IMAM :** Also No. 10, Sir. I only wish to move No. 11. In this connection, I should like to have your ruling whether in this Bill we can include item No. 158-O because during this session we have already passed a Bill in which this cotton hosiery formed a part. I want a ruling whether we can in this Bill include cotton hosiery or not, because during this session we have already passed a Bill in which this formed a part. According to Standing Order 30,

“a Motion must not raise a question substantially identical with one on which the Council has given a decision in the same session.”

**THE HONOURABLE THE PRESIDENT :** Yes, but this is an item in this particular Bill and I therefore do not think that the Standing Order applies.

**THE HONOURABLE MR. HOSSAIN IMAM :** Then, Sir, I move my amendment :

“That in the Schedule to the Bill in amendment No. 9 in the second column of the proposed item No. 158-O after the word ‘stockings’ the words ‘excluding fleecy shirts’ be added.”

The reason why I have brought forward this amendment is to ask the Government to rectify an error which has crept into the Bill inadvertently. As far as I can understand from the Tariff Board's report, the Government had no intention of penalizing these fleecy shirts. But, as has often been pointed out, our tariffs are so old and so many things have been included under one head that it makes it difficult for Government to rectify the position with regard to single items. When it was only a question of revenue duties it was good enough to have one heading for several things and say these goods pay two and a half and these five and these ten per cent., and so on. But under protection it is a different matter and everything cannot be lumped together like that. Here the case before the Tariff Board was for summer vests, socks and stockings. These fleecy shirts are produced mostly from waste cotton and there is practically no industry worth the name which is manufacturing these goods in India. The hardship caused to the consumer on account of their inclusion in this Bill arises from the fact that they are very heavy things. While the average weight of summer vests and undervests is two to two and a half pounds—and that was the basis on which a duty of twelve annas per pound was imposed—fleecy shirts weigh nothing less than four and a half pounds and they go as high as nine pounds to the dozen. The prices of these fleecy shirts are very small and they are used by the poorest people in India, and therefore they deserve especial consideration from the Government. For fleecy shirts weighing six pounds the c. i. f. price per dozen is Rs. 4-3-0 and the duty will be Rs. 4-8-0, or 106 per cent. on the c. i. f. price. Then for fleecy shirts weighing nine and a half pounds the c. i. f. price is Rs. 5-11-0 and the duty is Rs. 7-2-0, which comes to 126 per cent. The Government had no intention of penalizing the poor man's warm wear, considering that the highest is priced eight annas duty free. Our idea in bringing forward this amendment is to bring this matter to the notice of the Government. We know that they cannot accept this amendment at the fag end of the session because it will require the Bill going back to the Assembly for getting their concurrence to the amendment. But may I have an assurance that they will give due consideration to this and do something to relieve the consumers of the extra duty ?

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) :** Sir, I rise to support the plea put in by my Honourable friend Mr. Hossain Imam. He has made out a very strong case for the exemption of fleecy shirts from the duty proposed to be imposed. He was also reasonable enough to concede that at the fag end of the session since it is not possible for the Government to re-commit the Bill to the other House, it would not be just on his part to insist on his amendment being literally carried out. All that he seeks is an assurance that the Government will investigate the matter and remedy the position, as it seems just, later on.

Sir, the other reason which has prompted me to stand up is that the duty proposed in this Bill is not a revenue duty. This is a protective measure. If that is the test by which all the duties have got to be scrutinized on this occasion, then this duty on fleecy shirts is not at all justified, because this is an industry which is almost non-existent in the country, and the result will be to work great hardship upon the poorer classes which use this article. Therefore I hope the Government will see its way to accept the suggestion that has been made that an inquiry should be made into this and proper measures be taken to set the matter right.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Sir, the Honourable Mr. Padshah has observed that these fleecy shirts cannot be manufactured in India. I may say for his information that it is a very simple matter to manufacture them on a raising machine—(*An Honourable Member :* "They are not being manufactured. They are imported from Japan.") Yes, I know. Such under-vests are really made of cotton and are an imitation of woollen wear. For the sake of cheapness the poor are misled into buying cotton shirts which they mistake for wool. My friend Mr. Hossain Imam has observed that they are warm. They are not warm, being cotton stuff. If the proposal is adopted it will be doing an injury to the poor because they will be misled into buying a cotton shirt which will not protect them in keeping warm in winter.

**THE HONOURABLE MR. T. A. STEWART :** Sir, I regret in this instance I must oppose the amendment. I do so for two reasons. The first is that it would be quite impossible to accept the amendment in the form in which it has been put. The term "fleecy shirt" conveys nothing to the customs officer who has to determine whether an article is a "fleecy shirt" or not. We have just heard a cross-bench argument as to whether fleecy shirts are produced in India or whether they are not. On the one hand there was a claim that they came only from Japan, and on the other it was said that they were produced in India.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** That they are capable of being produced in India. He did not say that they are being produced.

**THE HONOURABLE MR. T. A. STEWART :** Well, Sir, I shall go so far as to say that they are produced in India. I have recently seen such an article which I, were I a customs officer, would say was a fleecy shirt, if I were bound to find also that the Honourable Mr. Suhrawardy's shirt was a fleecy shirt. To us it does not appear that the term "fleecy shirt" is one that could appropriately go into the tariff. But apart from that there is considerable doubt, as again has been revealed on the floor of this Honourable House, as to whether these fleecy shirts should be exempted from this duty. That is a matter which is in doubt. The Honourable the Commerce Member has in

another place given an assurance that the appropriateness of the present duty on "fleece shirts" and the possibility of devising some nomenclature for them which will be less indefinite, will be investigated. I can only repeat here the assurance given by him. Unless the Honourable mover sees fit to withdraw his amendment, I must oppose it.

THE HONOURABLE MR. HOSSAIN IMAM : May I have the permission of the House to withdraw the amendment ?

The amendment\* was, by leave of the Council, withdrawn.

Item 9 of the Schedule was added to the Bill.

Items 10 and 11 of the Schedule were added to the Bill.

Clauses 2 and 3 were added to the Bill.

THE HONOURABLE MR. HOSSAIN IMAM : I do not intend to move my amendment to clause 4.

Clause 4 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. T. A. STEWART : Sir, I move :

"That the Bill further to amend the Indian Tariff Act, 1894, for certain purposes, as passed by the Legislative Assembly, be passed."

In moving this Motion, Sir, it is unnecessary for me again to go over the arguments that have been marshalled on one side or the other within the last two days.

Sir, I move.

The Motion was adopted.

## RESOLUTION *RE* ROAD DEVELOPMENT FUND.

THE HONOURABLE MR. D. G. MITCHELL (Industries and Labour Secretary) : Sir, I beg to move the following Resolution :

"In supersession of the resolution adopted by this Council on the 4th March, 1930 as supplemented by the resolution adopted by this Council on the 28th September, 1931, this Council recommends to the Governor General in Council that :—

1. There shall continue to be levied on motor spirit an extra duty of customs and of excise of not less than 2 annas per gallon, and the proceeds thereof shall be applied for the purposes of road development.

2. (1) From the proceeds of such extra duty in any financial year there shall be deducted a sum equivalent to the share in such proceeds arising from motor spirit used for purposes of civil aviation during the calendar year ending in the financial year concerned, and such sum shall be at the disposal of the Governor General in Council for allotment as grants-in-aid of civil aviation.

(2) The balance of the proceeds shall be credited as a block grant to a separate Road Account.

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\*Vide page, 825, ante.



[Mr. D. G. Mitchell.]

3. (1) The annual block grant shall be allotted as follows :—

- (a) a portion equal to fifteen per cent. shall be retained by the Governor General in Council as a Central reserve ;
  - (b) out of the remainder there shall be allotted—
    - (i) a portion to each Governor's Province for expenditure in the province ;
    - (ii) a portion to the Governor General in Council for expenditure elsewhere in British India ;
    - (iii) a portion to the Governor General in Council for expenditure in Indian States and administered areas ;
- in the ratio which the consumption of motor spirit in each area to which an allotment is to be made bears to the total consumption in India during the calendar year ending during the financial year concerned ;

Provided that for the purposes of these allotments the consumption of motor spirit in Jammu and Kashmir shall be disregarded.

(2) The portion allotted to a Governor's Province shall be placed at the disposal of that province in one or more instalments, as soon as the distribution can conveniently be made.

4. The balance to the credit of the Road Account or of any allotment thereof shall not lapse at the end of the financial year.

5. No expenditure shall be incurred from any portion of the Road Account save as hereinafter provided.

6. The central reserve with the Governor General in Council shall be applied firstly to defraying the cost of administering the Road Development Account, and thereafter upon such schemes for research and intelligence and upon such special grants-in-aid as the Governor General in Council may approve.

7. (1) All allotments for expenditure in British India may, subject to the previous approval of the Governor General in Council to each proposal made, be expended upon any of the following objects, namely :—

- (i) On the construction of new roads and bridges of any sort :—
- (ii) On the reconstruction or substantial improvement of existing roads and bridges ;
- (iii) on the interest and amortization of loans taken after the date of this Resolution and spent on the construction, reconstruction or substantial improvement of roads and bridges ;
- (iv) in special cases, on the maintenance of roads and bridges, constructed, reconstructed or substantially improved from the Road Account since 1930 ;
- (v) in special cases, on the maintenance of roads or bridges constructed, reconstructed or substantially improved from loan funds after the date of this Resolution.

(2) Where any part of a provincial allotment of the Road Account is to be applied for the payment of interest and amortization of loans under clause (iii) above, such payment shall be a first charge on all allotments to that province.

8. In considering proposals for the construction, reconstruction or improvements of roads and bridges from the Road Account, the Governor General in Council shall bear in mind the present urgent need for improving the efficiency and reducing the cost of transport by road of agricultural produce to markets and railways.

9. The following special rules shall apply to Burma, namely :—

- (a) The portion of the Road Account allotted to Burma shall be further apportioned between the Shan States and the rest of Burma in the manner indicated in paragraph 3.
- (b) Instead of the approval of the Governor General in Council to any proposal under paragraph 7, the approval of the Governor, after consultation with the Federal Council, shall be required for schemes in the Shan States, and the approval of the local Government, with the concurrence of the local legislature, shall be required for schemes in the rest of Burma.

10. (1) A Standing Committee for Roads shall be constituted each financial year consisting of—

- (a) the Member of the Governor General's Executive Council in charge of the department dealing with roads.
- (b) two nominated official members, of whom one shall be a member of the Legislative Assembly,
- (c) three members elected by the members of the Council of State from amongst themselves, and
- (d) six members elected by the members of the Legislative Assembly from amongst themselves.

(2) No approval to any proposal for expenditure from the Road Account shall be given by the Committee unless it is supported by :—

- (i) a majority of the members present and voting who are members of the Legislative Assembly, and
- (ii) a majority of the members of the whole Committee present and voting.

(3) All proposals for expenditure from the central reserve and all other proposals for expenditure from the Road Account to be made in British India (excluding Burma) shall be referred by the Governor General in Council to the Standing Committee before he approves of them.

11. The functions of the Standing Committee shall be :—

- (a) to consider the annual budget and accounts of the Road Account.
- (b) to advise upon all proposals for expenditure from the central reserve.
- (c) to advise upon the desirability of all other proposals involving expenditure from the Road Account in British India (excluding Burma).
- (d) to advise the Governor General in Council generally on all questions relating to roads and road traffic which the Governor General in Council may refer to them."

Mr. President, this is a most formidable Resolution and I apologise to

12 Noon.

Honourable Members for the time which it has taken me to read it. I shall do my best to make amends by making my speech in support of the Resolution as short as possible. The Resolution shows on the surface extreme complexity. Nevertheless it contains one substantial issue and one only, and that is—"Shall we continue the Road Development Fund or shall we not?" In order to persuade the Honourable Members of this House that the Road Fund should be continued, I shall give a short account of the stewardship of the Government of India in the administration of this Fund during the five years it has been in existence. The total income of the Fund up to September last, since when we have no actual figures yet, was Rs. 4,60 lakhs. Out of this a sum of Rs. 3,57 lakhs was distributed to the provinces and minor administrations, and has been spent by them upon bridges, roads and other schemes of road development. A sum of Rs. 50½ lakhs was allotted to Indian States. A sum of Rs. 46 lakhs went to the Central Reserve, and there is a small undistributed balance of Rs. 6½ lakhs. Now, Sir, the major portion of the money has gone to the provinces, to the extent of Rs. 3,57 lakhs. Out of that the provinces have already spent on road schemes Rs. 2,00 lakhs. Certain provinces have borrowed, under the supplementary Resolution referred to in this Resolution, for the purpose of the maintenance of roads a total of Rs. 55 lakhs, which will be replaced in due course. The balances still unspent with the provinces amount to Rs. 1,02 lakhs out of Rs. 3,57 lakhs. The balance at first sight certainly appears to be on the large side; but there have been two reasons which account for this undesirable result. To begin with, when the Road Account was instituted in 1929 it took a certain amount of time to get the whole scheme into working order. Projects had to be called for from the provinces; they had to be

[ Mr. D. G. Mitchell. ]

prepared in the provinces and they had to be considered here and finally approved. As a matter of fact, out of the five years during which the Fund has been in existence, work has been going on actually for three and a half years only. Secondly, as all the Honourable Members know, the past five years have been a period of extreme financial stringency and, though this money in a sense was a free gift to the provinces, yet they were reluctant to embark upon ambitious schemes of road development which would increase their maintenance charges. The provinces felt that until they could see their way ahead to having a surplus in their budgets, they would not be justified in increasing their roads and thereby increasing their charges for maintenance. However, I may assure the Honourable Members that in the last year progress has been very much more rapid and there is every reason to anticipate that very shortly the money allotted to the provinces will be spent nearly as quickly as it is allotted.

Now, as I have mentioned, many of the provinces were shy of launching on schemes of road development because of their financial embarrassments. This is one of the reasons for continuing the Road Fund. During the past five years it may safely be said that, had it not been for the Road Fund, there would have been practically no development of roads in British India. All such constructions and improvements as have occurred have nearly all been out of the Road Fund.

Now, Sir, as I have mentioned, a sum of Rs. 46 lakhs was allotted to the Central Reserve. In addition to that a contribution was made by the Oil Companies of another Rs. 9 lakhs, making a total of Rs. 55 lakhs for the Central Reserve during the five years. Out of this Rs. 2 lakhs have been spent on the Road Engineer's Office. I would invite the attention of the House to the extreme modesty of this figure,—a sum of Rs. 2 lakhs for the administration of a Fund of nearly Rs. 5 crores. A sum of Rs. 3 lakhs has been spent on road experiments of various kinds. Schemes of road development in various parts of India have been sanctioned to the extent of Rs. 37 lakhs and one scheme to the value of Rs. 4 lakhs is under consideration. The anticipated balance in the Central Reserve is only Rs. 9 lakhs out of Rs. 55 lakhs. Out of work sanctioned to the extent of Rs. 37 lakhs, works to the value of Rs. 10 lakhs have been completed, works to the extent of Rs. 16 lakhs are now in progress and works to the extent of Rs. 11 lakhs, most of which were only recently sanctioned, have not yet been begun. This again appears somewhat unsatisfactory. But again considerable delay was inevitable in the initiation of these road schemes from the Central Reserve. In many cases very complicated negotiations had to be carried out between two or more administrations and prolonged discussions were required amongst the various parties concerned before they could come to some agreed plan. I think on the whole we may regard the progress during these five years in schemes from the Central Reserve as fairly satisfactory.

To give some sketchy idea of the value of this Central Reserve, I may mention that Rs. 3 lakhs have been spent on the road between Bombay and Agra. The road between Indore and Ajmer has been practically completed. A road has been constructed between Shillong and Sylhet and another between Bhopal and Saugor. I draw attention to the fact that out of these four schemes I have mentioned, three relate to roads which pass through two or more administrations, in one case through a whole congeries of Indian States. The schemes are such that, had it not been for the Central Reserve, in all probability the roads could never have been built.

Now, Sir, though the Resolution contains one substantial issue, I must draw the attention of Honourable Members to certain changes which have been made in the Resolution which was passed by them in 1929. To begin with, the Resolution has been entirely recast. Certain amendments had to be introduced and these all fell in one particular paragraph and they made that paragraph so extremely unwieldy that it was deemed desirable to recast the whole. Three changes of substance have been inserted in the Resolution which all relate to the purposes to which the Fund may be applied. They are not really changes of policy; they are rather developments of policy towards which we have been gradually working up. The first is contained in paragraph 8 and relates to the development of roads in rural areas. The intention of this paragraph 8 which follows upon Resolution No. 6 of the Road-Rail Conference is obvious. It is to develop the rural areas which have no railway or proper road communications and at the same time to avoid unfair competition with the railways. The second change, which is of great importance, lies in paragraph 7 (1) (iii) which will permit provinces to capitalize portions of their Road Fund and expend it at once upon large schemes of road development. As Honourable Members are aware, many of the provinces are very sadly in arrears with the development of their roads and in some cases I am afraid have allowed roads to deteriorate from sheer lack of funds. It happens that at the present time money is cheap and that labour and materials are also cheap, and it will be a very sound business proposition to allow the provinces to capitalize a portion of their allotments to be spent at once on approved schemes of road development.

The third change is also contained in paragraph 7, whereby provinces will be allowed to a controlled extent to apply their share of the Road Fund to the maintenance of roads constructed either from the loans I have just mentioned or constructed from the Road Fund since 1930. Honourable Members will probably agree with me that a fund, which was constituted as and is called a Road Development Fund, should not be too freely allotted for the purpose of mere maintenance of roads. To keep the fund for road development only is perhaps the logical policy to pursue. But at the present time, if it is pursued too logically, it would result in defeating the whole object of the Road Development Fund. Some provinces are in such extreme financial straits that unless they get some assurance that they will be relieved of the maintenance charges on newly constructed roads, they will simply not undertake the construction. The policy, therefore, is to preserve the fund as far as possible as a Road Development Fund but at the same time in special cases to allow provinces in financial straits to apply a portion of it to maintenance of new roads.

The next change is the raising of the Central Reserve from ten per cent. in the 1929 Resolution to fifteen per cent. I may say that when the Central Reserve was first proposed by the Jayakar Committee, it was proposed that it should be one-sixth of the whole, but in discussion in the Legislature it was reduced to one-tenth. It is now proposed to raise it to fifteen per cent. chiefly in order to meet the difficulties of small provinces like Assam, the Central Provinces and Bihar and Orissa, which under the present distribution receive Rs. 2, Rs. 3 or Rs. 4 lakhs each only. We do not intend that this proportion of fifteen per cent. should remain for ever in the Resolution. It will probably be reconsidered a few years hence, but meanwhile we propose fifteen per cent. in order that Government may give a reasonable amount of assistance to the smaller provinces.

[ Mr. D. G. Mitchell. ]

Now, Sir, I have finished. This Chamber adopted this child in 1929 and all I ask it to do now is not to abandon it.

Sir, I move.

THE HONOURABLE MR. VINAYAK VITHAL KALIKAR (Central Provinces : General): Sir, I heartily support the Resolution moved by my Honourable friend Mr. Mitchell. This Resolution was discussed in the Standing Committee. It was also referred to certain Provincial Governments and except for one or two provinces, I believe that all the Provincial Governments supported the principle underlying this Resolution. During the last five years, as stated just now by the Honourable Mr. Mitchell, out of Rs. 4,60 lakhs, about Rs. 3.26 lakhs were spent for the provinces. Some money was spent for the road schemes of the States. With the present change in the Resolution, I believe some of the schemes which had to wait would be accelerated as the provinces would get more money. As moreover under the present Resolution the Reserve Fund is to be increased, the provinces also would get by way of loans a larger amount from the Government of India and they should be able to embark on new schemes for road development in their areas. For want of proper roads especially in agricultural parts, and for want of funds, many road schemes have been kept pending, and many areas which would have been opened especially in the interior and which would have to some extent helped the agriculturists in bringing their produce to the market for getting a price have remained unserved. Under the present Resolution, many areas will be opened and the agriculturist will be in a position to bring his commodities to the market and will be able to get a good price for the same. Last year we had a conference at Simla, the Road-Rail Conference, and there this question of cut-throat competition between the railways and motor traffic was discussed and certain important resolutions were passed. I understand Government are consulting the Provincial Governments on those resolutions and the Government of India are thinking of undertaking some measure of co-ordination between road and rail. I know my Honourable friend Sir Guthrie Russell would not like road development, but I may assure him that feeder roads also will be constructed and he will also get financial assistance by getting more passenger and goods traffic. Also, if the grand trunk roads which were in existence long before the railways came into existence are maintained, that would also help to a great extent the country in the matter of traffic. I have nothing more to say except to congratulate the Honourable Mr. Mitchell for the able case he has made out and to say that I support the Resolution.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated Indian Christians): Sir, I have much pleasure in supporting this Resolution. I do not think a long speech is necessary to show that good roads are very essential for the prosperity of the rural parts. Speaking from my experience of Madras, the Government collects two annas in the rupee as road cess, and I can say without fear of contradiction that not a pie of it is spent on roads. What is done is that the roads are left to the tender mercies of the local boards and the local boards, the district and taluk boards, find it extremely difficult to maintain the roads already laid down years ago. It is only recently that the grand trunk road from Madras to Cape Comorin was put in good order and the rivers were bridged, and now we are able to travel from Madras to Cape Comorin by car without much difficulty. That is entirely due I think to the

grant made by the Central Government to the province out of this Road Fund. In many parts of the country there are hardly any roads, and during the rainy season one finds it extremely difficult to go from village to village. For that reason the agriculturist finds it extremely difficult not only to bring his produce to the towns and places where he can sell it, but also finds it difficult to bring manure to his fields from various parts of the country. He is not in a position to do as much as he could if he were provided with good roads. Sir, it is a well known fact that in England they have a big road fund amounting to many millions, and those who have been there will know in what splendid condition the roads are kept. No doubt it may be said, as Mr. Kalikar said, that the Railway companies might feel that their traffic might be interfered with if the roads are put in good order. I am not at all advocating the extension of roads along railway lines, but there are hundreds and hundreds of places where there are no roads, and if good roads were made I believe the railway traffic would increase instead of decreasing. No doubt if there is a very good road along the railway line it might be that the motor traffic would attract passengers. But my contention is that India is a very vast country and proportionately the roads so far constructed fall far short of the needs. What I am contending for is the construction of roads in mofassal areas to connect villages with each other and the main trunk roads. Sir, this fund really helps the Provincial Governments and unless this fund is supported that is, unless the provinces are assured of a grant for some years they would not even maintain the roads that are now in existence and they are not likely to improve communications. I therefore strongly support the Resolution and I hope the House will accept it.

**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI** (Madras : Non-Muhammadan) : Sir, I rise to support the Motion and I congratulate the Government for this beneficial measure. I know from my knowledge of district and local boards that roads have been starved on account of the financial position of the boards. Clause 4 of this Resolution I think is very important :

“The balance to the credit of the Road Account or of any allotment thereof shall not lapse at the end of the financial year”.

That is a very important provision. I know some of these district boards do not spend the money and it lapses with the close of the financial year. Therefore I think this is a measure which will greatly help the agriculturist. I know many villages which for want of proper roads are not able to market their produce. I think agriculturists will surely welcome this measure and I congratulate the Government on having introduced it.

**THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN** (North-West Frontier Province : Nominated Non-Official) : Sir, I congratulate the Honourable Mr. Mitchell on bringing in this Resolution. We have some roads on the Frontier but we want to open out the country much more and we have not the money to do it with. Great difficulties are experienced by agriculturists. Some of the small villages have only a track along the bank of a canal, and if they want to take their produce to market they have to use the canal and they are largely at the mercy of the Canal Department. Sometimes they are stopped from using the canal road and a great deal of hardship is felt by the people inhabiting such villages. Again we have the grand trunk road up to a point, but we do want that that road should be extended right up to the Durand Line. On account of the scarcity

[Major Nawab Sir Mahomed Akbar Khan.]

of money that however can not be done. This Resolution embodies a great scheme and I congratulate the Honourable Mr. Mitchell in bringing it forward. I do not think there can be two opinions in this House as to its merits and I hope that all the Members will unanimously support him in this beneficial task of his.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I rise to support the Resolution but I wish to say one word about the unspent money which is still with the Provincial Governments. This Fund was started with the definite object of developing communications in India. The development of communications is a matter of urgent necessity because the lack of development is hindering the transport of agricultural produce, and it is for this reason that we all support the Government in its laudable desire to develop communications. But the fact that the enormous sum of more than Rs. 150 lakhs is still unspent is not satisfactory—

THE HONOURABLE MR. D. G. MITCHELL : Rs. 102 lakhs.

THE HONOURABLE MR. HOSSAIN IMAM : And Rs. 56 lakhs taken as loan ?

THE HONOURABLE MR. D. G. MITCHELL : And Rs. 55 lakhs taken as loan.

THE HONOURABLE MR. HOSSAIN IMAM : That means that this large amount of money which ought to have been devoted entirely to the development of communications is not being utilized by the provinces. I do not know which of the provinces are the culprits, and whoever they might be, my idea was to ask the Government to scrutinize the position and see to it that provinces do not do this sort of thing for indefinite periods. There should be at least some sort of award made to those who spend all the money provided on communications, if we cannot penalize those who do not. At least we should not give them an award if they refrain from spending their allotment. At present the provinces which are most probably lagging behind in this respect are those which most urgently require to develop communications. For these reasons I would ask the Government to be more vigilant in future.

With these words I support the Motion.

THE HONOURABLE RAI BAHADUR LALA JAGADISH PRASAD (United Provinces Northern : Non-Muhammadan) : While supporting this Resolution I desire to make one point clear. May I know if the Provincial Governments will enjoy a certain amount of freedom in the matter of utilizing the petrol fund for the maintenance and construction of roads, or whether each and every scheme framed by them in this behalf will have to be sent by them to the Government of India for previous approval ?

THE HONOURABLE MR. D. G. MITCHELL : Mr. President, taking the last question first, the Honourable Rai Bahadur Lala Jagdish Prasad will find the particular provision in paragraph 7 (1) (iv) and (v) of the Resolution. The opening words in both cases are "in special cases". As I endeavoured to explain in my speech, Government will endeavour to go as far as possible

to help the provinces which are in financial straits in respect of the maintenance of those roads which are to be newly constructed or which have been constructed from the Road Fund since 1930. If any province is in such financial straits as to be unable to take up the construction of new roads, then unquestionably the Government of India will help that province by allowing it to take a grant from the Road Fund ; but at the same time the words "in special cases" have been used in order that the character of this fund as a Road Development Fund may be maintained. I think that the Honourable Member will realize that if the whole of this fund were to be earmarked for the purpose of maintenance, it would cease to be a Road Development Fund and become merely a contribution to the ordinary revenues of the provinces. •

I have little more to add, except to thank Honourable Members for the unanimous support given to this measure. The Honourable Mr. Kalikar said some very kind words and in response I would like to thank him and the other members of the Standing Committee on Roads for the extremely valuable and willing support afforded to Government during these five years. I think I may say without fear of contradiction that, perhaps with the exception of the Standing Finance Committee, it is the most hard-worked Committee established by either branch of the Legislature. With regard to the remarks of the Honourable Mr. Hossain Imam, I admit that there are very large unspent balances in the provinces—Rs. 102 lakhs—and that they have borrowed to the extent of Rs. 55 lakhs. That, as I explained, was due to their extreme financial straits ; these we hope are now drawing to an end, and with better conditions which we hope will be established very shortly, the provinces will launch out into more ambitious schemes and spend their money more freely. There have in fact been very distinct signs in the last year that provinces are spending up to the limits of their allotments and I think they will continue to do so, and that in the course of the next year or two we shall have no cause for complaint on this ground. I should like just to add one remark about what was said by the Honourable Sir David Devadoss. He struck a somewhat pessimistic note about roads in Madras. He said that Madras was very hard up for good roads. I may mention that Madras has 23,000 miles of metalled roads and is easily the first province in India in that respect. Bombay comes next with about 9,000, the United Provinces with nearly 8,000—

**THE HONOURABLE SIR DAVID DEVADOSS :** What is the distance from Cape Comorin to Berhampore or Gopalpur ?

**THE HONOURABLE MR. D. G. MITCHELL :** I am afraid I have not the local knowledge. I have given these figures not because I am entering into controversy with the Honourable Member, but because I wish to draw attention to the fact that when the most advanced province in India in respect of roads complains of insufficiency of roads, the case for my Resolution is complete.

**THE HONOURABLE THE PRESIDENT :** The Question is :

"That the Resolution\* moved by the Honourable Mr. Mitchell be adopted."

The Motion was adopted.

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\* Vide pages 827—29, ante.



## STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, the outstanding legislative business of the session consists of the consideration and passing of the following four Bills which have been laid on the table yesterday and today :

The Trade Disputes (Extending) Bill ;

The Sugar (Excise Duty) Bill ;

The Sugar-cane Bill ; and

The Matches (Excise Duty) Bill.

There will also be a Motion by the Honourable Mr. Stewart regarding the composition of the Ottawa Committee. This business will be placed on the List of Business for Thursday next, the 26th April and, subject to your direction, will be proceeded with from day to day until it is concluded.

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The Council then adjourned till Ten of the Clock on Thursday, the 26th April, 1934.

## APPENDIX.

Import duty on Japanese silk piecegoods according to new Tariff Bill.

1	2	3	4	5	6	7	8
Qualities.	Dimensions.	Weight per piece.	Market value per piece.	50 per cent <i>ad valorem</i> duty payable per piece.	Plus Rs. 2 per pound duty payable per piece.	50 per cent. <i>ad valorem</i> plus Rs. 2 per pound duty payable per piece.	Percentage.
	Inch. Yds.	Lbs. ozs.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	
Georgette Broche . . . . .	45 × 12½	1 4	19 0 0	6 5 0	2 8 0	8 13 0	70
Place . . . . .	45 × 24½	2 8	37 8 0	12 8 0	5 0 0	17 8 0	70
Georgette . . . . .	45 × 24½	2 8	38 0 0	12 10 0	5 0 0	17 10 0	70
Paj . . . . .	45 × 24½	2 8	35 0 0	11 10 0	5 0 0	16 10 0	70
Satin . . . . .	45 × 24½	2 8	30 0 0	10 0 0	5 0 0	15 0 0	70
Georgette Khakho . . . . .	45 × 24½	1 4	27 4 0	9 1 0	2 8 0	11 9 0	63
Spun Crepe . . . . .	45 × 24½	3 0	35 0 0	11 10 0	6 0 0	17 10 0	75
					Plus Rs. 1-8-0 per pound duty.	50 per cent plus Rs. 1-8-0 per pound duty.	
Fuji and Boseki . . . . .	27 × 50	5 0	35 0 0	11 10 0	7 8 0	19 2 0	83
					Plus Re. 1 per pound duty.	50 per cent. plus Re. 1 per pound duty.	
Puser and Pongee . . . . .	34 × 50	4 4	18 0 0	6 0 0	4 4 0	10 4 0	85

## Import duty on Canton silk piecegoods.

1	2	3	4	5	6	7	8	9	10
Items.	Qualities.	Dimen- sions.	Weight per piece.	Market value per piece.	Duty paid on M/V at 50 per cent. A. V. per piece.	50 per cent. <i>ad valorem</i> plus Rs. 2 per pound duty payable per piece.	Percent- age.	50 per cent. <i>ad valorem</i> plus Re. 1 per pound duty payable per piece.	Percent- age.
		Ins. Yds.	Lbs. ozs.	Rs. A. P.	Rs. A. P.	Rs. A. P.		Rs. A. P.	
1	Ghatpote plain	28 × 20	1 11	10 0 0	3 5 0	6 11 0	101	5 0 0	74
2	Do.	28 × 19	1 0	6 4 0	2 1 0	4 1 0	98	3 1 0	73
3	Do.	23 × 23	1 0	6 4 0	2 1 0	4 1 0	98	3 1 0	73
4	Do.	33 × 19	1 6	8 8 0	2 13 0	5 9 0	98	4 3 0	74
5	Do.	45 × 19	1 14	15 4 0	5 1 0	8 13 0	87	6 15 0	68
6	Ghatpote flower	33 × 20	1 14	16 0 0	5 4 0	9 0 0	84	7 2 0	68
7	Gauze plain	33 × 21	1 4	7 4 0	2 6 0	4 14 0	102	3 10 0	74
8	Do.	28 × 19	1 0	6 0 0	2 0 0	4 0 0	100	3 0 0	75
9	Gauze flower	28 × 20	1 8	11 8 0	3 13 0	6 13 0	89	5 5 0	70
10	Paj plain	28 × 19	1 13	13 8 0	4 8 0	8 2 0	90	6 5 0	70
11	Do.	33 × 26	2 8	7 12 0	2 9 0	7 9 0	147	5 1 0	98
12	Do.	28 × 26	2 0	6 2 0	2 0 0	6 0 0	145	4 0 0	97
13	Do.	24 × 26	1 0	4 14 0	1 10 0	3 10 0	111	2 10 0	81
14	Crepe	28 × 19	1 6	11 0 0	3 10 0	6 6 0	86	5 0 0	68
15	Crepe plain	28 × 19	2 0	15 0 0	5 0 0	6 1 0	90	7 0 0	70
16	Satin plain	28 × 9	1 6	10 0 0	3 5 0	6 1 0	92	4 11 0	70
17	Satin flower	28 × 9	1 2	8 12 0	2 14 0	5 2 0	87	4 0 0	68
18	Crepe Hojeria embroidered	45 × 18/9	3 0	27 0 0	9 0 0	15 0 0	83	12 0 0	67
19	Ghatpote embroidered	45 × 5	1 0	9 6 0	3 2 0	5 2 0	82	4 2 0	66
20	Ghatpote flower em- broidered	42 × 20	2 8	32 0 0	10 11 0	15 11 0	73	13 3 0	62
21	Gauze plain embroidered	27 × 21	2 8	35 0 0	11 11 0	16 11 0	71	14 3 0	61

## COUNCIL OF STATE.

*Thursday, 26th April, 1934.*

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The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

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### QUESTION AND ANSWER.

GRANT OF EXTENSIONS OF SERVICE TO RAILWAY EMPLOYEES WHO PRODUCE EVIDENCE SHOWING THAT THEIR AGES ARE LESS THAN THAT SHOWN IN THEIR SERVICE SHEETS.

155. THE HONOURABLE MR. HOSSAIN IMAM (on behalf of the Honourable Mr. Mahmood Suhrawardy) : (a) Will Government be pleased to state whether there are any precedents in which they have changed the official record of the age of railway employees on the production of substantial authoritative proof ?

(b) If the reply to part (a) be in the affirmative, what kind of evidence has been accepted for such a change to allow extension in the period of service ?

(c) Are there any such cases in which Government have allowed extension to the railway employees on the North Western Railway ? If so, on what grounds ?

THE HONOURABLE SIR GUTHRIE RUSSELL : (a) Yes.

(b) No specific evidence has been prescribed but it must be such as will satisfy the sanctioning authority, *e.g.*, a birth certificate.

(c) Yes, if an employee can prove that he is younger than shown in his service sheet, he automatically gets an extension of service.

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### CONGRATULATIONS TO THE HONOURABLE SIR HARRY HAIG ON HIS APPOINTMENT AS GOVERNOR OF THE UNITED PROVINCES.

THE HONOURABLE THE PRESIDENT : Honourable Members, I feel sure you must have all read with great pleasure the announcement of the appointment of the Honourable Sir Harry Haig as Governor of the United Provinces of Agra and Oudh. Sir Harry Haig was for many years Home Secretary and would attend this Council and in that capacity he gave us considerable satisfaction during this term of office. His appointment will be received all over the country and particularly in the United Provinces and by both the Houses of the Indian Legislature with great satisfaction. I feel certain it is your wish that I should send him a telegram of congratulation from this Council. (Applause.)

## DEATH OF SIR SANKARAN NAIR.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : Sir, it is my sad duty to mention this morning the great loss India has suffered in the death of one of India's greatest leaders, Sir Sankaran Nair. He was one of the early Indian stalwarts. Educated in law, having adopted law as his profession, he rose to the highest position that a member of the legal profession can occupy in his province as Advocate General. As a lawyer he not only practised law but also took an interest in legal literature, started legal journals, wrote in them, edited some. When he had had enough of success in his profession, he moved from the profession of law to the bench. He was a permanent Judge of the Madras High Court for a number of years. Having completed his term there he served on the University for a number of years and was a member of the Provincial Legislature for some years. In every branch of law, whether as a lawyer or as a judge or as a legislator, he distinguished himself. However, it was not law that succeeded in absorbing all his energies. He took a keen interest in the politics of his country and as a very successful politician of the first rank in India, he rose to be the President of the Indian National Congress at Amraoti. In those days those who took an interest in politics also took a keen interest in social advancement and industrial progress. He was President of the Madras Social Conference as well as of the Industrial Exhibition. He brought this very successful provincial career to a close, and rose to all-India eminence. He was appointed a Member of the Executive Council of the Governor General in India. For four years he was Education Member. If I am not mistaken I believe he was the first Indian Education Member in the Government of India, from 1915 to 1919. Then he was for two years a Member of the Secretary of State's Council in London, 1920-21. Afterwards he came to the Council of State as an elected Member from his province. It was then that he was elected by this Council to represent it on the Indian Committee which was to serve with the Simon Commission to hammer out the report. He was later elected Chairman of that Committee.

In the whole of his career, whether as a lawyer, a judge, a legislator, a politician, or a social reformer, there were one or two things which may be said to be the characteristic features of the man. One was independence of thought. And the second was his belief in his own judgment. He stood out for making up his own mind as to what was right and what was wrong and having made up his mind he had the strength of character to stick to it and there were in his life very few people who could persuade him to leave that line. No amount of authority or pressure succeeded in dissuading him from the course that he felt called upon to take. This distinguishing feature of the man runs throughout his career— independence of thought and judgment. He was an ex-President of the Indian National Congress but when he felt that the Indian National Congress was going wrong, having been an ex-President did not prevent his condemning the polity of the Congress at the time in very, very strong language. He was ready to come to the Executive Council of the Governor General and do his best but when he felt that he ought not to remain a Member any longer nothing could prevent his resigning.

What I am going to say illustrates the independent character of the man. He was ready to criticize Mr. Gandhi as an ordinary mortal like himself. At

the same time he was ready to criticize violently Sir Michael O'Dwyer, whose administration of 1919 had created a great deal of trouble. Here was a man who differed with both and found no difficulty in criticizing both. India needs men of such independent character and thought now more than ever. Our country in the past has been one following the lead of authority perhaps too much. As a reaction, perhaps the tendency now has been to follow the opposite path. But even in that reaction, one needs the strength of character which is so necessary to keep public life at the high level that it ought to possess if the country is to make progress. As I have said, Sir, men of such character are few and at a such a critical juncture as the present, the loss of any of them cannot but be considered as a national misfortune. I am sure, Sir, this House of which he was such a distinguished member for a number of years would wish you to convey to his family the appreciation and admiration this House had for him and also convey to them the condolence of this House at such a great loss which this House considers as a national calamity.

THE HONOURABLE SIR K. P. RAMUNNI MENON (Madras : Nominated Non-Official) : Sir, I never had the privilege of sitting in this Honourable House with Sir Sankaran Nair, but coming as I do from Madras, and belonging, if I may be permitted to say so, to his own community, and as one who enjoyed the privilege of his friendship from one's boyhood, I would like to join in the sentiments of appreciation which have been expressed in such felicitous terms by the Honourable the Leader of the House. I recall with pleasure that two years ago the University of Madras conferred upon Sir Sankaran Nair the Honorary Degree of Doctor of Laws in recognition of his attainments and public services, an honour which was as well deserved as it was widely appreciated. Sir Sankaran Nair was an outstanding personality of his time. On the large circle of his friends and on the larger circle of public men in this country he has left an ineffaceable impress. A characteristic which impartial observers always admired in him was that he never courted popularity. On the contrary, he never shrank from denouncing the popular creeds and policies of the day whenever he felt that they were detrimental to the country's interests. He was a very outspoken man, and a man of remarkable breadth of outlook, independence and fearlessness. I venture to say that public life in this country has suffered by his passing a very great loss. I am thankful to you, Sir, for allowing me to pay this homage to the memory of a friend and elder statesman.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians) : Sir, as one who had known Sir Sankaran Nair for many years, let me add my humble tribute of respect to his memory. Sir, as a student in the Presidency College, I remember his coming into the Senate as an outstanding figure. Though he was very young he was nominated to the Senate of the Madras University and afterwards made a Member of the Legislative Council of Madras. There he distinguished himself by moving for the amendment of the marriage law of his own province, and the result of his labours was the passing of the Malabar Marriage Act. From that time onwards he was doing as much public good as a single man could do. All his actions were characterized by thorough independence. As observed by Sir Ramunni Menon, he did not court popularity. He did not care for public opinion. If he thought a thing was right he said so and if he thought a thing was wrong, he also said so. Sir,

[Sir David Devadoss.]

as a lawyer he early distinguished himself and it was always a pleasure to sit by him and listen to him arguing a case. His sturdy independence and his way of putting his arguments before the Court always commanded the respect of the bench. Sir, if I may be permitted to give a personal allusion, I remember the occasion when he as Public Prosecutor and Government Pleader of the Madras Government conducted the well-known Sivakasi riots case in the year 1899 and as a young junior, I had the privilege of opposing him with a number of other lawyers. I know the way in which he conducted that case, in which there were at least 120 or 130 accused—it was known almost as a rebellion—a fight between two big communities, known as the Sivakasi riots—he conducted his case in such a masterly manner that there was no loophole left in the prosecution. Sir, he was the first Indian Vakil, Government Pleader and Public Prosecutor. In Madras, in those days, the Government Pleaderships and the Advocate Generalships were the preserve of the European barristers. Sir Sankaran Nair broke through the preserve and succeeded in obtaining both the offices for vakils. In 1907 he was confirmed as the first Indian Advocate General of Madras, thanks to the interest taken by Lord Morley. After he was raised to the bench it was always a pleasure to appear before him, for he was unswayed by any kind of motive. He always looked to the justice of the case and his decisions were right. Whether the decisions were against the Government or in favour of them, or in favour of one party or against it, they were always thorough and satisfactory, based upon the merits of the case. Sir, afterwards, he was raised to the Council of the Governor General. People here probably know more about his work there than a Madrasi. His thorough independence was such that all the other Members who took a different view from him were really afraid of the masterly way in which he put his case, and it would probably be telling a secret known only to a few that in one night on one occasion he wrote a long minute which practically threw the other Members into a sort of frenzy. Sir, after he resigned his seat in the Viceroy's Council he was made a Member of the Secretary of State's Council. There he did good work and after his retirement from that he did much public work. Sir, it is a matter of great sorrow to us all that he should be snatched away now when his services are most required. He was taking a very deep interest in all that was going on, though on account of ill-health he had to resign his seat in this Council. His interest was very deep and his whole time was spent in studying various questions. He not only studied them but he wrote articles which were always appreciated by editors of monthlies like the *Nineteenth Century* and other well-known journals. His death is a great loss to us all. As observed by the Leader of the House, this is not a time in which we could afford to lose a man of outstanding ability, knowledge and culture.

With these words, Sir, I wish to pay my respect to the memory of the late Sir Sankaran Nair.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, on behalf of myself and the Progressive Party, I wish to associate ourselves with all the remarks that have fallen from the Leader of the House. Sir Sankaran Nair was a man of outstanding personality and especially appreciated by the younger generation for the extraordinary proof of his strength

of character which he showed by resigning from the Government of India. Sir Sankaran Nair enjoyed at once the confidence of the Government and of the public. He was a man who rose to the highest position in the Government of India and also to the highest post which the Indian nation could elect him to. We, Sir, had an example of his strength of character two years ago when he moved a Resolution in this House about provincial autonomy. Although the general opinion was against him but because he believed in it, he did not mind the consequences and moved the Resolution in spite of all the opposition that could be marshalled against him. I did not have the privilege of working with him when he first came to this Council, but in his last two years when he was a Member of this House we were colleagues and his was always a helpful hand to non-officials. The Party which he formed and to which the Honourable the Leader of my Party also belonged was in many ways like our own Party and therefore we had, and will always have, a specially soft corner in our hearts for him.

Sir, I associate myself with all that has been said by previous speakers.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) : Sir, the death of Sir Sankaran Nair, whom I had the privilege of knowing since 1916, is a great loss to the country. As was bound to happen in the case of a man of his calibre, he has died in the fullness of years and honours. The traits of his character which impressed every man who came in contact with him have been alluded to by the Leader of the House as also by those who have followed him. When I first met Sir Sankaran Nair a few months after he had taken over the portfolio of Education Member in the Governor General's Council I was greatly impressed by two things. One was that he took a very keen interest in politically-minded young men, whose number at that time was not very large. Whenever a young man went to him he always helped him with advice and Sir Sankaran Nair's advice had an educative effect. The second thing was his great independence of character and his outspokenness, which did not always make his task a bed of roses. An illustration of the latter which occurs to me was his Presidentship of the Central Committee that was appointed to work with the Simon Commission. I happened to be in England in 1929 and I know how whole-heartedly Sir Sankaran Nair devoted himself to the task of persuading his colleagues who at times suffered from divided counsels to come to a decision that would in the long run be helpful to the cause of constitutional progress in this country. The death of a man of the achievements of Sir Sankaran Nair would be a sad blow at any time, and it is much more so at the present time when the one thing that stands at a discount in this country is independence of thought. Sir Sankaran Nair as Education Member of the Governor General's Council and later as a Member of this Council had a large number of friends and his friendship did not know any creed or colour. He had friends in every stratum of society. He had friends among his own community, among the Brahmins, among Mussulmans, Christians and Parsis ; and all those who had the privilege of knowing him had a very high regard for his character, his outspokenness and independence of thought. Sir, it is in the fitness of things that reference has been made in this Council, and I hope you will be good enough to convey to the bereaved family the great sense of loss that in the opinion of this House the country has suffered in Sir Sankaran Nair's death.



**THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI** (Madras : Non-Muhammadan) : Sir, I beg to associate myself with all that has been said by the Leader of the House and other Members. I had the privilege of knowing Sir Sankaran Nair for a number of years and it is unnecessary for me to go into his great political career in India. But one thing I would refer to and that is his great interest in social reform work in our province. If there is any one who has done substantial work in that direction, I should say that it was Sir Sankaran Nair in those early years. Sir, long before Government thought of the question of the education of the depressed classes, in the years 1914 and 1915 I remember Sir Sankaran Nair, with a few of his friends, started an organization, known as the Depressed Classes Mission Society, of which he was President ; and by the keen interest which he evinced, he was able to open through that Association a number of schools for Adi Dravidas, a community which is a minority community in our province. He was an eye-opener both to the public and to the Government in that direction. He has done a great deal of work for the education of the depressed classes in our presidency. I need hardly say how as a Member of this Council he was an asset to it. When I met him two days before I left Madras in February, I never expected that the end was so near. India mourns his loss and the Council is feeling more in losing one of its ex-Members. I am sure you will convey, Sir, our condolences to his son Mr. Palat.

**THE HONOURABLE THE PRESIDENT** : I am in entire agreement with all the observations that have fallen from the Honourable the Leader of the House and from Honourable Members, and particularly from the Members from the Madras Presidency. I had known Sir Sankaran Nair for many years, and I had great respect for his ability, his straightforwardness, his frankness and his masterly talents of a versatile character. For many years I was associated with him in this Council, and though I had the misfortune to differ from him on some occasions, I always admired him for his straightforwardness, his sturdy independence and fearless ability with which he fought the case for India. He had a brilliant University career and he was a great lawyer, an erudite judge and a most capable man. In the Executive Council of the Governor General, it is generally believed that he rendered useful service and on one important, vital, occasion when he had to differ from the Government of India, he presented his resignation as he felt he could not associate himself with a body of men with whom he fundamentally differed. His death will be received with great sorrow all over the country and I shall immediately telegraph the sympathies and condolence of this House to his bereaved family.

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#### STATEMENT LAID ON THE TABLE.

**POLITICAL OUTRAGES IN INDIA FROM JANUARY, 1931 TO FEBRUARY, 1934.**

**THE HONOURABLE MR. M. G. HALLETT** (Home Secretary) : Sir, I lay on the table the information promised in reply to question No. 94 asked by the Honourable Mr. Jagadish Chandra Banerjee on the 28th March, 1934.

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(a), (b) and (e).—I lay a statement on the table giving the information in my possession.

(c), (d) and (f).—I have no complete information and regret I am unable to undertake to collect it.

*Statement showing (a) the number of political outrages in India during 1931-33 and in Bengal up to February, 1934, with (b) the number of officials and others killed and injured.*

(a)

## BENGAL.

Bengal.	1931.	1932.	1933.	January and February, 1934.	Total.
Murderous outrages ..	5	5	3	..	13
Attempts at outrages ..	6	26	3	2	37
Dacoities .. ..	23	31	20	2	76
Attempted dacoities ..	2	2	2	1	7
Robberies .. ..	18	19	9	..	46
Attempted robberies ..	5	6	3	..	14
Bomb throwing .. ..	7	3	..	..	10
Bomb explosions ...	..	2	3	..	5
Armed raids .. ..	..	1	..	..	1
Unclassified .. ..	..	1	..	..	..
Total for Bengal ..	66	96	43	5	210

## OTHER PROVINCES.

Province.	1931.	1932.	1933.	January and February.	Total.
Madras .. ..	..	..	6	..	6
Bombay .. ..	6	3	8	..	17
Bihar and Orissa ..	6	4	4	..	14
Assam .. ..	5	2	5	1	13
North-West Frontier Province.	6	..	..	..	6
Central Provinces ..	3	3	..	..	6
Burma .. ..	..	..	..	..	..
United Provinces ..	20	8	8	..	36
Punjab .. ..	9	2	9	..	20
Delhi .. ..	2	2	..	..	4
Other Provinces Total ..	57	21	40	1	119

(b)

*Number of officials and others killed and injured in Bengal.*

Officials.	1931.	1932.	1933.	January and February, 1934.	Total.
Killed .. . . .	5	6	4	..	15
Injured .. . . .	13	10	4	1	28
Others (including terrorists)					
Killed .. . . .	4	11	6	2	23
Injured .. . . .	4	30	14	..	48
Total .. . . .	26	57	28	3	114

*Number of killed and injured in provinces except Bengal during 1931-33.*

Province.	Officials.		Others.		Total.
	Killed.	Injured.	Killed.	Injured.	
Madras .. . . .	..	1	2	..	3
Bombay .. . . .	..	2	..	..	2
Bihar and Orissa .. . . .	3	3	8	3	17
Assam .. . . .	..	..	2	4	6
North-West Frontier Province	..	..	..	1	1
Central Provinces .. . . .	1	1	..	..	2
Burma .. . . .	..	..	..	..	..
United Provinces .. . . .	..	12	5	16	33
Punjab .. . . .	1	2	4	3	10
Delhi .. . . .	..	1	..	4	5
Other Provinces Total .. . . .	5	22	21	31	79

## RESULT OF THE ELECTION OF SIX NON-OFFICIAL MEMBERS TO THE CENTRAL ADVISORY COUNCIL FOR RAILWAYS.

THE HONOURABLE THE PRESIDENT : I have to inform the Council that as a result of the election held on the 20th April, 1934, the following Members have been elected to the Central Advisory Council for Railways :

The Honourable Sir Homi Mehta.

The Honourable Mian Ali Baksh Muhammad Hussain.

The Honourable Rai Bahadur Lala Ram Saran Das.

The Honourable Raja Charanjit Singh.

The Honourable Diwan Bahadur G. Narayanaswami Chetti.

The Honourable Khan Bahadur Syed Abdul Hafeez.

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## TRADE DISPUTES (EXTENDING) BILL.

THE HONOURABLE MR. D. G. MITCHELL (Industries and Labour Secretary) : Sir, I rise to move :

“That the Bill to extend the operation of the Trade Disputes Act, 1929, as passed by the Legislative Assembly, be taken into consideration.”

The Trade Disputes Act, 1929, was the result of nearly five years of discussion with Local Governments and private interests. As originally drafted, it was intended to be a permanent measure, but the Select Committee inserted sub-section (4) of section 1, which restricted its duration to five years. The Act was brought into force by Notification on the 7th of May, 1929, and will expire on the 7th of May next unless its duration is extended. The purpose of the Bill now before the House is to ensure that extension by the deletion of sub-section (4) of section 1.

Over a year ago the Government of India took up the question of the extension of the Act and the difficult questions connected with its amendment. Honourable Members will have seen the letter which my Department issued in June last and the mass of suggestions which it evoked. They may also have noticed that the great bulk of opinion is strongly in favour of making this measure permanent though with amendments. The suggestions for amendment have been partly considered by Government, but an Amending Bill has not been prepared for this session for two reasons. Firstly, the Department was already fully occupied with other very important labour legislation and had not time to give full consideration to the amendment of this Act. Secondly, there would have been little point in introducing a Bill now, as the business in another place was so congested that the Bill could not possibly have been taken into consideration there.

Hence, Government propose merely to delete the sub-section which limits the duration of the Act. Government will, in due course, formulate proposals for amending the Act and lay them before the Legislature ; but meanwhile in order to prevent the Act from expiring it is necessary to pass the present Bill into law before the 7th of May.



[Mr. D. G. Mitchell.]

That a case has been made out for the retention of such a measure there can be little doubt. Public opinion is in favour of its retention, and the fact that there are many influential demands for its improvement is an added reason for retaining it until it can be amended. It was of general public benefit during the disastrous dock disputes in Rangoon, when a Board of Conciliation worked out the terms of settlement ; and again when a Court of Enquiry made a review of the steps taken in effecting retrenchment on the railways throughout India. It is true that there have been no prosecutions under the provisions relating to lightning strikes in public utility services, or under the provisions relating to illegal strikes ; but it is impossible to estimate what the benefit to the public may have been of the existence of these provisions on the Statute-book.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, the Bill before the House is such that we cannot gainsay the fact that it is required by the present condition of industrial development of India, but, Sir, there are certain points which require further elucidation and it is more with a view to get answers to my queries that I rise than to oppose the measure in its entirety. Sir, one thing which I wish to state is that I am interested neither as a capitalist in seeing labour down nor have I the privilege of being a labour leader who wants to have everything from the industry. Therefore, Sir, I can speak on this Bill in an unbiassed manner. Firstly, Sir, I regard that in times of falling prices, the wages do not follow the reduction and there is a likelihood of greater strife between capital and labour than in times of a rise in prices. It is to the advantage of the country as a whole that the man power should be mobilized to its full capacity and I have always opposed mechanization which turns out man power and demobilizes it. Sir, the Trade Disputes Act serves a useful purpose, but the opinions which the Government have circulated to us bring to light the defects of the present Act. The Local Governments and Trade Unions have all given their opinions on the measure. We expected that if the Government found itself unable to bring an amending Bill, the right course for them was to have an extending Bill. We have experience, Sir, of extending Bills in many instances. In this session too we have given extension to two Acts for short periods - one was the Cotton Textile Industry Protection (Amendment) Bill and the other was Steel and Wire Industries Protection (Extending) Bill. In the same way if the Government wish to assure us that they were really in earnest in bringing forward labour legislation, they ought to have extended it for, say, six months, or even a year. Then we would have been assured, Sir, that the Government would take up the matter as early as we desire. The fact that this measure has been on the Statute-book for five years or has been utilized on so few occasions shows great weakness in the framing of the Act. In this connection, Sir, I should like to remind the House that there is almost a consensus of opinion in demanding amendments, although there is no general agreement about the amendments which ought to be made.

THE HONOURABLE THE PRESIDENT : This Bill only seeks to make the measure permanent.

THE HONOURABLE MR. HOSSAIN IMAM : Sir, I wish to say that by bringing forward a measure which simply makes the Bill permanent this House has been deprived of the right of moving amendments to the measure itself.

This is a sort of back door by which the Government is coming forward to get the assent of this House to this measure. The straightforward measure would have been, Sir, to have either extended it for a short time (that is what I was pointing out) or to have brought an amending Bill which would have given an opportunity to this House to criticize it and suggest amendments to the Act. The Government has taken one part of the suggestions which are forwarded by the different Governments but has not taken the other part. In this connection, I should like to point out that if we make the measure permanent we have past experience to show that Government will be in no hurry to bring in an amending Bill. We know, Sir, as the Honourable Secretary has informed us, that they have many labour Bills waiting to be introduced. At the present moment we are face to face with the Bombay textile industry dispute. The non-existence of conciliatory officers as recommended by the Labour Commission may allow this strike to continue unchecked for a long period and in this connection, Sir, it is pertinent to say that improvements in Acts are not made simply to please people. They are made because the necessity arises. For five years the Government had this measure on the Statute-book and if they were unable to find out defects in these five years it is, I think, not very creditable to the vigilance of the Department. I hope, Sir, the Government did find them and in the letter to which the Honourable Member made reference some suggestions have been invited as to amendments which ought to be made. My only objection to this Act is that if it is made permanent without amendment it would not be in consonance with the opinions circulated to us.

THE HONOURABLE MR. D. G. MITCHELL: Mr. President, the Honourable Member brings a charge against the Government that it is not in earnest about labour legislation. I would point out to him that the recent programme of labour legislation before the Indian Legislature is perhaps one of the largest programmes of labour legislation that has ever been before any Legislature at any one time. Government fully admits that this important measure requires amendment, but the Honourable Member himself has supplied me with the reason why Government has been unable to bring these amendments before the House at the present juncture. He mentioned the great consensus of opinion in favour of the amendment of the Bill and he hinted at the great variety of amendments suggested. That, Sir, is precisely the reason why we have been unable to bring an amending Bill before the House just now, much as we would have liked to have done so. He also suggests that Government will be in no hurry in bringing the amending Bill. Well, again, I would draw his attention to the programme of labour legislation which has been the result of the sittings of the Royal Commission on Labour. I understand that the Chairman of that Commission, Mr. Whitley, has said that he has never seen the recommendations of a Royal Commission of this calibre brought into effect with such rapidity and efficiency. I can assure the Honourable Member that Government has every intention of considering all these suggestions as soon as reasonable leisure can be found to tackle such a very difficult matter, and to bring in due course, as soon as may be conveniently possible, an amending Bill before the House.

THE HONOURABLE MR. HOSSAIN IMAM: On a point of information, Sir. Will the Honourable Member say whether it will be possible to move an amending Bill within a year or two?

THE HONOURABLE MR. D. G. MITCHELL : I think I can undertake to say that it will be introduced within a year or two.

THE HONOURABLE THE PRESIDENT : The Question is :

"That the Bill to extend the operation of the Trade Disputes Act, 1929, as passed by the Legislative Assembly, be taken into consideration."

The Motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE MR. D. G. MITCHELL : Sir, I move :

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

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### SUGAR (EXCISE DUTY) BILL.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary) : Sir, I rise to move :

"That the Bill to provide for the imposition and collection of an excise duty on sugar, as passed by the Legislative Assembly, be taken into consideration."

I have one preliminary remark to make. Sir George Schuster has asked me to express to you, Sir, and to the Council his great personal regret that he has been prevented from being present here today. It is a great disappointment to him that he should not be able to take this last opportunity of meeting and bidding farewell to Honourable Members whom he has known and with whom he has worked so pleasantly for the last five years and more. Unfortunately, a retiring Finance Member has always much to discuss and settle with his Honourable colleagues in Council in the last few days before his departure, and perhaps for various reasons more than usual this year. Sir George, has, therefore, had, at a good deal of inconvenience, to go to Simla, but he wishes me to say how really disappointed he is that for this reason he has been prevented from being here today and tomorrow.

This Bill, Sir, and the Bill I shall later be asking Honourable Members to consider form part of the general financial plan which I had the honour of explaining to the Council in introducing the current year's budget and which, I think I may say, was fortunate enough to meet with their general acceptance. I could therefore ask for its consideration without more ado and in any case I do not intend to weary the Council with a repetition of the remarks which I then made ; but in the hope that it may facilitate and shorten our subsequent discussions I should like to make one or two observations of a general character. I suggest that in judging proposals for new taxation which are laid before it a legislature should require to be convinced that three criteria are fulfilled. First, they should be satisfied that additional taxation, whatever form it takes, is required by the financial position of the country ; secondly, they should be satisfied that the actual method proposed for raising the additional taxation is preferable to any alternative method ; and, thirdly, they should be satisfied that the rate or rates of the tax actually proposed will not give more

money than the Government needs. As regards the first two criteria which I have ventured to propound, I have little to say ; they are really covered by the remarks which the Honourable Finance Member made in another place and I made here in introducing the budget. Honourable Members will recall that, apart from any measures to assist Bengal, we found ourselves faced with the prospect of a deficit of Rs. 1,58 lakhs, Rs. 18 lakhs of which we thought we could cover by minor adjustments in the customs tariff, leaving a gap of Rs. 1,40 lakhs which obviously had to be filled. I do not anticipate that in these circumstances any Honourable Member is likely to dispute that the first criterion is satisfied. As regards the second, I showed that it was the very rapid decline in the receipts from taxation on sugar which was responsible for the deficit, and *prima facie* therefore it is only fair and equitable that we should look to sugar rather than elsewhere to restore our position, subject of course to one proviso : we should do nothing to impair the measure of protection deliberately granted to the indigenous sugar industry. I do not propose to discuss at this stage the effect of the proposals in the Bill before the House on the protection granted to the indigenous sugar industry ; the question will arise and will, in my opinion, be more conveniently debated on an amendment which I see the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra proposes to move on clause 3. All I need say is that our original proposals, which are with two modifications those incorporated in the Bill now before the Council, were designed to maintain for the indigenous sugar industry the measure of protection granted to it on the recommendation of the Tariff Board and that Government are not shaken in their view that they succeed in this object. I submit therefore that the second criterion, which I have suggested should be applied, is fully satisfied. On the third criterion, namely, that we are not attempting to raise more money than is needed, I should like, as the question is likely to crop up quite frequently in the course of our discussions, to explain to the House exactly how our estimate of a yield of Rs. 1,47 lakhs from this sugar excise in the current year is based. The tax is to be a tax on issues from factories. Obviously therefore the main basis of our estimate must be the probable consumption in 1934-35 of sugar which will come under the duty, for it is on this that the issues, the amount people will buy, will depend. The consumption of manufactured sugar, including *khandsari*, in India varies considerably from year to year. It has in one year been, I think, as high as 1,300,000 tons but in times of depression— I suppose because people who can no longer afford refined sugar to return to *gur* or other cheaper forms—it falls off considerably and on the available figures it may be expected to be about 950,000 tons or a million tons in 1934-35. We have worked on the higher figure, namely, a million tons, of which about 300,000 tons would be *khandsari* and 700,000 tons refined sugar. The next problem is to estimate how much of the refined sugar will be imported from Java and how much issued from Indian factories. Judging from the most recent figures of customs imports, we have assumed in our estimates that we shall get Rs. 2,05 lakhs from customs duty on sugar this year, representing an import of between 110,000 and 115,000 tons. This, on our estimates of consumption, leaves rather less than 600,000 tons for issues of refined sugar from factories which, with an excise duty of Rs. 1-5-0, would give us in a full year Rs. 1,56 lakhs but, as we shall only get eleven months' receipts in the first year, will only give us Rs. 1,43 lakhs in 1934-35. The amount we can expect to get from *khandsari* sugar



[Sir Alan Parsons.]

in the first year is problematical, more particularly because information as to the exact number of *khandsari* concerns which will come under the definition of "factory" given in the Bill is scanty ; but we have assumed that we shall derive Rs. 4 lakhs from this source. Actually, as Honourable Members are aware, our original proposal was to tax *khandsari* made in factories coming under the definition at the same rate as refined sugar but, for reasons which I shall later have an opportunity of explaining, Government have not opposed an amendment incorporated in Select Committee of the other House in the Bill now before the Council to reduce the rate on *khandsari* by rather more than half to ten annas a cwt. At the same time, we think that we may catch a larger proportion of the *khandsari* production than we originally assumed and have not therefore thought it necessary to change our estimates. They still stand therefore at a total yield in 1934-35 of Rs. 1,47 lakhs, of which Rs. 1,43 lakhs will be derived from refined sugar and Rs. 4 lakhs from *khandsari*.

I hope I have made the position clear. There is one point which I wish to emphasize. It can be argued—in fact I think it has been argued in another place—that the productive capacity of Indian factories is now in excess of the figure of about 600,000 tons which we have assumed for the purpose of these estimates. I do not deny it. But the amount of sugar which will come under the excise does not depend on the productive capacity of the Indian factories ; it depends solely on the available market for refined sugar, whether made in Indian factories or imported, and on the proportion of this available market that Indian sugar can capture ; and if 700,000 tons is a reasonable estimate of the total consumption in India of refined sugar this year—I am myself not sure that it is not too high—an increase in the issues from factories over the figure of about 600,000 tons which we have taken can only be at the expense of imported sugar, with a consequent serious loss to our revenues, since imported sugar pays Rs. 9-1-0 a cwt. and under the proposals in the Bill indigenous sugar will only pay Rs. 1-5-0.

I have dealt with this matter somewhat fully because, as Honourable Members are aware, the Select Committee on the Bill recommended that the general rate of duty should be Re. 1 a cwt. instead of Rs. 1-5-0 and it has been argued that the lower rate would give us sufficient revenue. Government were not able to accept this recommendation and in restoring the rate to Rs. 1-5-0 they have the support of the Legislative Assembly. There is of course more that can be said on this question but it can be left to a later stage in our proceedings. All at present that I wish to submit is that the third criterion I put forward is satisfied and that in proposing Rs. 1-5-0 as the rate for the excise duty Government is not asking for more money than is needed.

Sir, I move.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE (East Bengal : Non-Muhammadan) : Sir, I shall be excused if I take this opportunity of explaining my position in regard to the Bill before the House. From the start I was biassed more in favour of a higher duty than even what was originally proposed by Government. I was more inclined to that view owing to the reports that were pouring in to us from time to time as to how the millowners

were treating the cultivators in paying prices for sugar-cane brought to the factories. When the grant of original protection to the industry was agreed to by the Indian Legislature, one of the main reasons which actuated the Members of this House to support protection for the industry was that it will give a stimulus to sugar-cane cultivation, which will ultimately fetch better prices for sugar-cane to the cultivators who are always in need of better markets for their produce.

THE HONOURABLE THE PRESIDENT: We are not discussing the Sugar-cane Bill at present. You can refer to that later.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: I am just developing my point regarding the Sugar Bill. But it was found to our bitter experience that the capitalists took advantage of the poverty of the agriculturists and paid them very meagre prices for the sugar-cane purchased by the millowners.

THE HONOURABLE THE PRESIDENT: That Bill will come later on. All those remarks apply to the Sugar-cane Bill and not to the Sugar (Excise Duty) Bill.

THE HONOURABLE MR. JAGADISH CHANDRA BANERJEE: Very well, Sir. Naturally these cultivators having been placed in that predicament sold off their cane at the price dictated by the owner as otherwise the sugar-cane would have lost weight if not disposed of the same day. These were considerations which practically goaded me to feel that when the agriculturists can not be saved from the capitalists, why not have a better revenue for the State by the levy of an excise of Rs. 1-5-0? But, Sir, owing to the other Bill which is before the House for fixing the statutory price to be paid to sugar-cane cultivators by millowners, I have got no grievance against the millowners and I now think it will be most unfair to throw such a heavy burden of taxation on the millowners as Rs. 1-5-0 per cwt. over and above the statutory price fixed for the purchase of sugar-cane.

I next take the question of the grant of effective protection of Rs. 7-12-0 per cwt. as was recommended by the Tariff Board. The Government have come to the conclusion that even if an excise duty of Rs. 1-5-0 per cwt. is levied, the industry will still be getting the effective protection of Rs. 7-12-0 recommended. Sir, owing to severe internal competition at certain centres, there is no parity in the selling prices of the imported sugar and the Indian-made sugar. Unless and until the parity of selling prices are correctly obtained it is dogmatic to assert that Rs. 1-5-0 per cwt. is a fair excise rate. The rate based on comparison of the parity of selling prices of the two kinds of sugar at a given centre or certain centres may give us the figure proposed by Government but whereas if we compare the selling prices at other centres, having the severest internal competition we find that the rate fixed by Government at Rs. 1-5-0 per cwt. is more than the industry could bear. The parity of selling prices is very soon expected to be further disturbed as soon as the new mills under construction come to full working order during the current year. I am therefore convinced that the recommendations of the Select Committee to which the Bill was referred by the other House is just and reasonable. They recommended that Re. 1 per cwt. is a fair excise rate which an infant industry like sugar can be asked to pay. In theory an excise on eatables is bad but I could

[Mr. Jagadish Chandra Banerjee.]

not agree with my friends, either in this House or in the other, so far as this commodity of sugar is concerned. In this particular case of sugar the excise duty, if levied, will not affect the price owing to severe competition both from within and outside India; and therefore the consumers will not be much affected. On the other hand, sugar is a commodity, which is used only by the richer and the upper middle classes and not the poorer masses and even if the price of sugar is affected by this excise, it will affect a class which can bear this taxation. Lastly, sugar is not a necessity for the masses as in India with the least amount of the rise in price of sugar, the consumers on the borderland of the upper middle classes and the masses will fall back upon the consumption of *gur* which will always be cheaper than refined sugar.

In coming to the question of the Government revenue I cannot see eye to eye with Government dissentients in the Select Committee report. The revenue which Government have budgetted for from this particular item is Rs. 1,47,00,000. Government have only a right to claim that much of revenue for the current year from this excise and no further. The argument adduced by Government that they should not lose any extra revenue if it comes to them from this excise is absurd and is against the canons of all financial propriety. No responsible Finance Member under any constitution can claim extra revenue than that required by him according to the budget presented before the country for meeting his expenses and as sanctioned by the Legislature. The government of a country or the finance minister is not a commercial magnate who should expect to net as much profit as is possible for him during the presentation of the budget and after. In the Select Committee the opposition proved that Government will get Rs. 1,47,00,000 even if the duty is lowered to Re. 1. It was a surprise to find that Government, instead of challenging this expected revenue from the lower duty, demanded the extra revenue by the levy of Rs. 1-5-0 per cwt. I hope and trust that Government will, even at this stage of the Bill, find their way to accept the rate of Re. 1 proposed by the Select Committee and not the rate of Rs. 1-5-0 proposed by them, as such a high rate will adversely affect an infant industry which has only been in existence for some three or four years.

Before I conclude I wish to add that the levy of an excise duty to raise revenue is not the only duty of the Government by the industry concerned. It is as much incumbent on Government to see that the industry gets all help and facility required for cheapening the cost of production of the article. In Java, which is the centre of sugar manufacture, the Government have, as far as I understand, helped the manufacturers by opening distilleries in the sugar area so that a by-product like spirits, both methylated and rectified, may be manufactured from molasses. Here, in India, it has become a problem for the manufacturers regarding the disposal of such huge quantities of molasses. If Government takes this opportunity to open distilleries in sugar districts then, on the one hand, the manufacturers can easily dispose of their molasses and get a certain return from these wastes and consequently they can reduce their prices still further and pay a higher excise revenue to the State. On the other hand, it will yield an additional income to Government by way of license fees and income-tax and will also give employment to many thousands of

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Indians in these days of unemployment. Lastly, it will stop the draining of Indian money which goes out of the country by way of the price paid by India for imported spirits from Java and other countries every year.

THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, it is a strange irony that just when sugar factories were coming into existence to make India self-supporting in the matter of sugar—an article of daily use—for which we had to pay foreign countries millions of rupees, an excise duty has been imposed. From the estimates that have been made, the existing sugar factories and others in the course of construction are not likely to deal with even one-tenth of the area under sugar-cane in India, which means that enormous waste is likely to continue. Our present estimates are based only on the consumption of the middle classes, but if sugar becomes cheap and village people begin to use it, the demand that may arise cannot be estimated. I therefore feel that the imposition of an excise duty is premature and I cannot give it my support. Our first duty is to let this industry grow and when it has reached maturity, then put such taxes on it as it can bear.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA (Bihar and Orissa : Nominated Non-Official) : Mr. President, notwithstanding the fact that the Bill has come here after undergoing a fiery ordeal in the other House, I have grave doubts about its desirability and I propose to address you, Sir, on this aspect of the legislation.

The sugar industry in this country has got an impetus on account of the protection it has received of late. Its development has been beneficial not only to the owners and shareholders of sugar mills but also to the cane-growers. The values of sugar mill shares have gone up, the factories are doing good business; but along with it there is also a progressive increase in the area under sugar-cane cultivation as well as in the general prosperity of the cultivators.

In North Bihar, of which I have an intimate knowledge, it is the sugar-cane cultivation that has helped both the zamindars and tenants to exist during the terrible world-wide depression. Look at the areas in which sugar-cane cultivation is carried on. In spite of the depression and manifold difficulties, the tenants can pay their rent, pay their taxes and supply the necessities of life. Now, turn to the areas in which there is no sugar mill and the cultivators cannot profitably grow canes. What do we find? The rent is in arrears, the ryots are not in a position to pay it, their lands, their hearths and homes and all their belongings are in danger of being sold up, they live by incurring debts, which they cannot easily repay, the interest on their debts is swelling up and their credit is reduced to nil. They are either ruined or on the verge of it. People who have been well-to-do of late are threatened with starvation. But the evil does not stop there. The miserable plight of the cultivators affects also the landlords. Since they cannot get their rents they cannot pay the revenue and cess to the Government. They have not the capital either to enable their tenants to grow a money-fetching crop like sugar-cane or to bring the vast areas of lands that have become unprofitable to the tenants under their direct cultivation. They get into debt and their estates and other properties are frequently under the hammer. After all, both the landlords and the tenants have a common lot, their interests are identical and the prosperity of the one is dependent on that of the other.

[Maharajadhiraja Sir Kameshwar Singh.]

Since protection has been granted to the sugar industry the attention of the people who have to make their living by land has turned towards the growing of sugar-cane. Every year more people are attracted towards it and the acreage under cultivation of this crop is on the increase. Naturally, existing mills cannot utilize all the produce and there is a demand for more mills. Thus there has been a remarkable increase in the number of sugar mills within the last two years and, in the ordinary course, they are bound to multiply to cope with the growth of cane cultivation for a few years more. But this makes the Government apprehensive of the fact that there will be cut-throat internal competition among the Indian sugar mills that are springing up, there will be no impetus to the increase of efficiency in the mills and the industry, instead of having a healthy growth will continue to be weak, after the period of protection is over, and will not withstand foreign competition.

Sir, I do not dispute these contentions. But I feel that unless the industry has sufficiently expanded itself or unless some other industry which has a bearing on the lives of the agriculturists has been similarly stimulated, it would be greatly detrimental to the class of people who live on the land to enact a measure which would, even in the slightest degree, arrest the growth of an industry which is responsible for saving so many of them from starvation and ruin. In spite of the rapid growth of sugar mills during recent years, I feel that the industry which has to make headway in this country needs the surcharge which, in addition to being a revenue duty, has been giving additional protection to it. Conditions today do not necessitate any deviation from the course which the Government took at the time of levying the surcharge. The report of the Tariff Board was there even then and the Government did not consider it improper to exceed the measure of protection recommended by that expert body. This additional protection I think is still necessary. I do not think that the development of the sugar industry has yet been excessive. Some time hence such a measure as the present Bill might have been quite opportune, but it is not so now. If the Government would have shown a way to the cultivators to tide over this period of depression by some other method, in parts of this country situated as my province is, I would not have minded in the least the imposition of this duty. But it has not done so. On the other hand, it has brought forward a measure the effect of which would be to arrest the expansion of the sugar industry and ultimately prolong the period of the misery of the cultivators, by depriving the bulk of them of the income which they are eagerly expecting to get in the near future for a pretty long time.

In these circumstances, Sir, I feel I should not allow the Bill to be passed with my support.

THE HONOURABLE RAI BAHADUR RADHA KRISHNA JALAN (Bihar and Orissa : Non-Muhammadan) : Sir, I rise to speak on the Bill before the House. It is no pleasure to me to oppose it, and if I do so, I do it reluctantly, to voice the opinion of my constituency.

The proposed levy of an excise duty on factory-made sugar in India affects my province intimately. This affects Bihar most which has been badly hit by the earthquake havoc. I feel the Finance Member has not taken into con-

sideration the fact that Bihar produces a large quantity of sugar. The province depends on the export of sugar to other provinces and an imposition of excise duty is sure to affect Bihar adversely. Since the end of 1931 the mills in Bihar had to reduce the price of their products by about Rs. 2 per maund due to internal competition and it will be necessary in future to make further reduction to dispose of the entire output of sugar. It is a fact, which can be verified by reference to the market, that indigenous sugar can not maintain parity with Java sugar, and due to keen competition the realized prices of the mills are much below the retail prices. They are also getting nothing for their molasses which the Tariff Board expected to yield about Rs. 1-6-0 per maund. This fact is in itself a justification for increased protection. The Tariff Board find Rs. 7-4-0 per cwt. as the protective duty on the assumption that molasses will fetch Rs. 1-6-0 and every lowering of this price of this by-product necessitates increased duty. I do not understand how the sugar industry of Bihar will ever prosper with a further imposition of duty of Re. 1 per maund. To my mind the protection to the sugar industry has done immense good to the country. The cultivators are getting much more for their sugar-cane crop than any other crop. The lands were sown with sugar-cane in preference to food crops thus saving the over-production of the latter. Consumers are getting their supply of sugar cheaper and the industry has given employment to many people in these hard times. The Government get more than a fair share from the industry by way of direct income, like income-tax and duty on machinery and they are also realizing indirect income in the shape of postage, telegram charges, railway freights on cane, etc., and also income-tax from employees. I do not find any justification for the imposition of a double burden on this newly established industry. On the other hand, the industry stands in need of further help in the shape of reduction of railway freight for longer distances. In the interest of the cultivators and consumers alike and in their own interest I think Government would do well to give adequate protection to the sugar industry. It has been urged by the Finance Member that the proposed measure will have a healthy effect in the sugar industry by checking over-production. As long as India imports large quantities of sugar from foreign countries one can not say that there is over-production in this country. When the evil effects of over-production are felt these could be remedied by notifying that new mills can only be erected after obtaining a license from Government, which can be issued by the Commerce Department, after careful examination.

Sir, a great argument of the Finance Member and supporters of this Bill is that imposition of this excise will check the speculative element and retard the uneconomic expansion of the industry. I am afraid, Sir, the Finance Member in his modesty did not give himself full credit. His speech gave such a glowing picture of the prospect of this industry that I think it may induce many more to invest money in this venture. Company promoters and professional businessmen's words are not relied upon so blindly by the investing public as the considered pronouncement of responsible Members. When the Finance Member talks of 300 and 400 per cent. profit on the capital value of shares no one can resist the temptation of having a finger in that pie. If the Government can not balance the budget they ought to reduce their expenses. Even if they cannot reduce and need money they can raise it in some other

[Rai Bahadur Radha Krishna Jalan.]

way without hardship to infant industries. I would like to suggest the following points :

- (1) In places where the sugar mills are situated the local consumers get sugar cheaper than in other places, the imposition of a small duty on such sales after going into the details will not be a burden to any one.
- (2) A small duty of four to six annas may be imposed on salt. To my mind even the poorest of the poor use more worth and quantity of sugar than of salt. So an imposition of an excise duty of Re. 1 per maund on sugar will affect the poorest more than having four annas on salt.

An excise duty, whatever might be said in support of it, is a tax on production and as such it has always been deservedly unpopular in all countries. Anxious as I am to avoid reference to past history one cannot but recall a similar instance of an excise duty, I mean the cotton excise duty. This particular one has given rise to controversies and the Government agreed to abolish it only a few years back. I wonder why the Government is so anxious to repeat the experiment albeit in a different sphere. Sir, if justice was to be done to this industry it ought to have been promised higher protection than Rs. 7-4-0.

The reduced prices of molasses and sugar, the import duty on machinery, and the increased income-tax has established our claim to a higher duty than Rs. 7-4-0 and if the Government do not rely upon my assertions, Sir, I would request the Government to have the facts verified by a reference to the Tariff Board. The Tariff Board without the waste of much time or labour can calculate the effect of all the items on the sugar industry. The sugar mills would be willing to abide by the verdict, but will the Government express its willingness to refer the matter to the Tariff Board and accept its recommendation on these issues.

In consideration of all these facts, once more I entreat the Government not to proceed with this measure.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, the provinces where sugar-cane is cultivated extensively and where a large number of sugar factories existed or were started before last year and had made very high profits, those provinces may have no good reason to grumble at this Bill. But, Sir, in the Punjab, the province to which I have the privilege to belong, cane is not cultivated extensively and only one or two factories existed—one of them at Sonapat at the corner of the province on the border of the United Provinces—and they were also having a precarious life. Last year the construction of two or three new factories was started in the province and this was encouraged by two facts—firstly, the protection extended to the sugar industry in India, and, secondly, the prices of agricultural produce having gone abnormally low and sugar-cane being the only crop which could possibly be made to pay, provided there were sugar factories in the neighbourhood, it was hoped that more cane will be grown in the province. This Bill, Sir, will, to my mind, result in killing the sugar industry in the Punjab in its infancy. I am a shareholder, Sir, in a small factory started at Bhalwal in the Jhelum colony. Its construction was started last year and the shareholders are the zamindars of the place and not

any money speculators. This factory was completed only three or four months ago and if this duty is imposed I am sure it will prove fatal not only to its success but to its existence. In the Punjab we have not got many millionaires and we cannot raise funds to start huge mills which would make profits in spite of this duty. I wish that Government, to encourage the larger cultivation of cane in my province and to encourage the construction of more factories, should have exempted my province from this duty at least for a couple of years.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan) :** Sir, up till now the objections that have been raised against the Bill fall under two heads, one on the main ground that this will be detrimental to the general interests of the industry as a whole, and, secondly, that this will be detrimental to the interests of factories newly started or factories situated in North Bihar which has been stricken by the earthquake. Before I deal with the general criticism that has been made I would dispose of the objections that have been raised on account of particular considerations. As regards Bihar I do not think it is necessary for me to assure the Honourable Members who have urged the case of Bihar that there is not one Member of this House who does not feel sympathy with the afflicted people in that area. Sir, the Honourable the Finance Member, in the course of the discussion in the other House, gave an assurance that the case of Bihar was a different thing altogether, that any factories there which would lay their claim for concessions to be given to them on account of any damage suffered by the earthquake would receive due and full consideration. He assured them that the Local Government would be asked to prepare a scheme to recommend cases where damage has been done to the factories owing to the earthquake and where the factories were not in a position to do their normal course of business, and when this scheme is prepared, the Government of India would try to give the concessions that might be offered in those cases. In this instance, Sir, I would urge upon the Government of India to give very definite and clear instructions to the Government of Bihar that even in those cases where the damage has been very trivial and consequently where the claim is insignificant even these cases ought not to be kept back and they should also be reported to the Government of India so that they might be given the consideration they deserve. As regards new factories, I am in full sympathy with the anxiety that has been expressed by my Honourable friend the Nawab Sahib from the Punjab. If this Bill was calculated to affect adversely any new factory, I would have been the first to take objection to it. But, Sir, I feel that, in spite of the apprehensions that are entertained, the duty proposed is one which will leave a clear margin of profit to the new factories also.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** What is that clear margin ?

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** It is based upon calculation. I will come to it. This Bill would enable well-managed concerns to make a reasonably fair profit and to give reasonable dividends to the shareholders. Since I feel sure of this, I give my support to this Bill.

As regards the question of the fair margin, Sir, my reading of the Bill is that even with this higher duty, the protection afforded to the industry



[Saiyed Mohamed Padshah Sahib Bahadur.]

is Rs. 7-12-0 per cwt., the highest protection that was guaranteed by the Government when the first measure for protection was introduced. The Select Committee attempted to change this by proposing a lower rate of duty. If we examine the grounds that have persuaded the Select Committee to recommend a lower duty, we see that they have recommended this lower duty mainly on the one ground that a duty of anything more than Re. 1 would adversely affect the interests of the industry. But in making out a case for this the Select Committee have failed utterly to carry conviction. On their own admission, they say that it was not possible for them to come to an agreement upon facts as regards the price of sugar. When it was not possible for them to ascertain the price of sugar for themselves, except on information furnished to them by the Government, it is difficult to see how they could hold the view that the case put up by the Government that the contention of the Government that even under the higher duty the industry was not going to be adversely affected was wrong. It is not merely sentiment that should go to induce people to take sides in this matter. Hard facts and figures will have to be taken into consideration before one comes to any decision upon this question. Government contend that even in spite of this higher duty the protection afforded is the protection which has been recommended by the Tariff Board. If, in the face of this contention, any claim for any higher protection is made it should be done on the strength of evidence, if any, which will go to prove that the measure of protection recommended by the Tariff Board was inadequate. So long as no evidence is adduced in this respect and no case is made out to show that the recommendations of the Tariff Board were inadequate, no claim for any lower duty could be considered. So long as the present proposals of the Tariff Board are there, those proposals can be changed only after an equally elaborate enquiry of the kind which persuaded the Tariff Board to make the recommendations which they have made in the report. Since no evidence has been adduced and no facts have been brought forward to prove the inadequacy of the Tariff Board recommendations, I hold that this rate of duty of Rs. 1-5-0 is perfectly justifiable and is one which cannot be objected to on the ground that it has deprived the industry of any protection which was promised to be given.

Now, Sir, as regards the general objection which was very strongly levelled against this Bili by my Honourable friend the Maharaja Sahib, all that I have to say is that even here we have got to come to conclusions upon facts. As the Honourable the Finance Member said in the other House, the effect of this duty was not only not to decrease the value of the shares of sugar factories but, on the other hand, even after the budget proposals were announced, the shares appreciably rose in value, and not only that, but new factories have actually been projected. All this goes to show that this cry as to the depression of the industry is based upon false apprehensions, upon mere suspicions, and that after all this higher duty is not calculated to check the natural growth and development of the industry.

Sir, it is common knowledge how on account of the very favourable position that this industry found itself in there has been a little too much of speculation in the belief that the industry would enjoy a measure of protection which was very much higher than what was recommended by the Tariff Board-

Under this belief that those favourable circumstances would continue, speculation had become rampant. It was therefore necessary that steps should be taken to check this speculation and to disillusion the public since there was no guarantee that those favourable conditions would continue. Therefore, apart from any revenue considerations, it was in the best interests of the country and also of the industry that some steps should have been taken to arrest the unnatural growth and the speculation that was brought about by unusually favourable circumstances in which the industry was placed. Sir, if the result of this proposal is, that besides checking dangerous speculation, it still leaves a fair margin of profit to the manufacturer, no objection can be taken to this measure. The industry still gets the protection that was recommended by the Tariff Board and it is not open to the industry to say that they have been given a lesser measure of protection than what was necessary for the industry to attain its natural growth and development. Now, Sir, if besides checking this speculation, if the result of these proposals is to offer an incentive to efficiency, I think this measure ought to be welcomed. It is common knowledge that, owing to the too easy circumstances in which the industry found itself, sugar manufacturers were inclined to take things easy. They were not disposed to put forth any effort to acquire efficiency. Now, under this new arrangement, I think it will be necessary for those manufacturers to bestir themselves and to make a real honest effort to attain efficiency. It has been said that the ambition of the sugar manufacturers in India is not only to supply the home demand but also to capture the Empire market or even the world market. Now, Sir, if he finds that, in spite of this higher duty protection which enables him to make a fair margin of profit, he is not in a position to capture even the home market, we can conceive how difficult, if not impossible, it would be for the manufacturer in India to try and get his due place in the markets of the Empire and the world abroad. Therefore, if our ambition is to supply not only our internal demands but also to compete fairly and successfully with the other sugar manufacturing countries, we must try to attain efficiency very much higher than the present standard. And in order to give an incentive to acquire this higher efficiency I think the Government could not have considered a better measure than the one they have proposed.

Sir, I support the measure.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, it is a matter of much regret that Government have decided to put an excise duty on sugar and for that purpose they are introducing this Bill into this House after its having been passed by the Assembly. On principle excise duty always stands in the way of the development of the industry concerned. When the Tariff Board recommended the protection of the sugar industry, the price of molasses varied from Rs. 1-8-0 to Rs. 2 per maund. Now molasses is fetching nothing. Besides, the price of sugar contemplated by the Tariff Board after two years was much higher than the actual price now prevailing in the market. So the recommendations of the Tariff Board have not been kept in view in framing the Bill. Though some of the sugar mills have been making large profits most of the mills have not been able to do so and none of those established during the last two years have made a profit worth the name. On the other hand, some of the mills have

[Rai Bahadur Lala Ram Saran Das.]

incurred losses. In any case the point is not how much profit the mill made on the whole but how much profit it made per maund on sugar produced by it. Supposing a mill makes a profit of Rs. 5 lakhs a year and manufactures five maunds of sugar, the profit would look very large but on paying duty at the proposed rate, all its profits would be wiped off. No inquiry seems to have been made regarding the amount of profit made by the various mills per maund and Government seems to have been carried away by the apparently large profits made by some of the mills. No inquiry seems to have been made either from Local Governments or from sugar organizations but Government seems to have relied on the report of its own officials, particularly the Sugar Technologist, whose report, unless it is checked by those who are interested in the industry, cannot be treated as reliable.

The various Provincial Councils where the question was discussed strongly protested against the imposition of this duty. The imposition of duty on sugar looks like a breach of faith as there is no doubt that people would not have set up so many mills if they had the least suspicion that Government would impose this duty. It is like rescuing a lamb from a wolf and slaughtering it for your own use.

Mr. Manohar Lal, a great economist, pointed out in the Punjab Council that there was no instance anywhere in the world where any Government, after proclaiming protection for an industry, took steps to reduce that protection within such a short time as the Honourable Sir George Schuster has done. The result would be that a large number of mills will have to be closed as they will not be able to make any profit after paying Re. 1 per maund as excise. The Honourable the Finance Member has been shifting his ground so far as the arguments in support of the duty are concerned. He started by saying that it was in the interests of the cane-growers and the consumers and also in the interests of the efficiency of the sugar industry to prevent over-production and now he is not relying on any of these arguments as there was no force in any of them; he simply says that he wants money and there is no other source which he can tap. There are various other concerns which have been making large profits but Government never thought of taxing them. There is no reason why the sugar industry should be singled out immediately after its inception.

The Honourable Sir George Schuster has said that most of the sugar mills in India are inefficient. Will the imposition of duty at this rate make them efficient? Certainly not. The object seems to be to kill them. If that is so why not say so? He also said that the sugar mills should build up a reserve to stand on their own legs when protection is removed. Does he really think that after paying such a heavy duty there is any possibility of their building up a reserve? Absolutely none. Then he went on to say that the cost of production in India was two or three times that of Java. It is perfectly true but will this duty reduce the cost of production? All the arguments are in favour of higher protection and not in favour of removing the protection either by direct or indirect methods. Then, again, the Select Committee pointed out that by reducing the rate the Honourable the Finance Member would get Rs. 1,47,00,000 which is what he wants. Now he has shifted his ground and says, "Why should I not get more as it is possible that I may get less from

other sources of revenue?" This is absolutely unjustifiable. No Finance Member has a right to impose a tax more than is necessary. He cannot take into consideration the possibility of income from other sources falling short of his expectations. The Council of State is a senior body of matured judgment and should not be a party to the infanticide of the sugar industry which is sure to be the result of this high duty. Sir, I would draw the attention of the Honourable the Finance Secretary to the representations submitted by the Indian Sugar Mills Association and the Indian Sugar Producers Association. They have dealt with this case in detail and have pointed out the various arguments in opposing this measure and have made certain useful suggestions. I would like to invite the attention of the Government to Appendix V and pages 32, 33, 34, 35 and 36 of their representation. In dealing with this case the objections of this Association to the excise duty as at present proposed are tabulated as follows :

- "(a) The Finance Member's statement that the excise duty is necessary to prevent further expansion, is not correct. The above table will clearly show that under existing conditions and without the imposition of any excise duty, the industry cannot recover the ten per cent. profit on its investment indicated by the Tariff Board. There is, therefore, no likelihood of 'the danger of continuing a stimulus which is in excess of what Government decided to be necessary as a measure of protection'."

I will, Sir, to clear myself, give the table to which I have just referred. I refer to the Tariff Board's report, page 69, paragraph 64, in which the fair price for sugar at the commencement of the protective period was Rs. 9-5-9, at the end of the protective period it was Rs. 7-12-5; actuals as at February, 1934, was Rs. 7-12-0, of which cost of cane at the commencement of the protective period was Rs. 5-8-10, at the end of the protective period was Rs. 4, actuals as at February, 1934, Rs. 4. Add back value of molasses Re. 0-10-8 at the commencement of the protective period, Re. 0-6-9 at the end of the protective period, and actuals as at February, 1934, nil. Balance to represent manufacturing cost, overhead charges and ten per cent. profit on capital invested at the commencement of the protective period was Rs. 4-7-7, at the end of the protective period it was Rs. 4-3-2, actuals as at February, 1934, Rs. 3-12-0.

- "(b) That the imposition of this duty, which factories will have to bear in whole or part, is manifestly unjust particularly to that large body of investors whose factories have only recently, if yet, actually commenced operations. A large proportion of the industry is now working its second season and an even larger proportion is working this season for the first time.
- (c) That the extra protection provided by the surcharge has become largely ineffective owing to the rapid expansion of the industry in the past two years and that in using this surcharge as a reason for imposing the proposed excise duty, Government are basing their arguments on a fallacy.
- (d) That is, as is implied, the *khandsari* industry is to be excluded from this duty, a further hardship is imposed on the sugar factories. The *khandsari* industry is estimated to represent one-third of the total sugar output. The exclusion of this portion of the industry can only react as a further depressing influence on the market price of sugar in India. This discrimination to the disadvantage of one section of the industry is a breach of the equality of treatment implied for all classes of the industry, when the protection was granted under the stimulus of which the factory industry has expanded. It must be pointed out that the *khandsari* manufacturer is not an agriculturist, but an industrialist, whose raw material is purchased juice instead of purchased cane.

[Rai Bahadur Lala Ram Saran Das.]

- (e) That the provision appertaining to factories in Indian States is most unsatisfactory, and may encourage States to utilize the duty recovered by them in further extensions of State-aided sugar factories to the disadvantage of the industry in British India. At the least, therefore, provision should be made for the repayment to the Central Government of the duty realized on all Indian States' factory outturn in excess of the Indian States' consumption.
- (8) It is fully realized that the loss of import duty revenue on foreign sugar to Government is a matter of great importance and, although this loss was envisaged by Government when the Protection Act was passed, Government may now find themselves unable to find alternative methods of taxation or to revise or reduce the excise duty now imposed.
- (9) If this is the case, and notwithstanding the injustice to the industry, this duty must be imposed, then it is most strongly recommended :
- (a) That the *khandsari* industry should be included and the incidence of duty reduced proportionately.
  - (b) That in order to enable Indian sugars to reach the furthest markets in India and Burma the specific protective duty of Rs. 7-4-0 per cwt. should be increased to Rs. 7-12-0 per cwt. simultaneously with the imposition of the excise and during the continuance of the surcharge.
  - (c) That the duty should not be imposed before 1st November, 1934, or if this is impracticable
  - (d) That the duty should apply only to sugars actually produced on or after 1st April, 1934, and be payable when issued from factories.
- (10) With regard to points (c) and (d) above it should be pointed out that the imposition of this duty within a few weeks of the end of a season will cause and is causing considerable market dislocation, whilst the provision that the duties will be payable on all factory stocks on 1st April will impose an unfair hardship on those factories which, owing to inadequate railway services, will be unable to clear their stocks by this date".

I might also mention, Sir, that this rapid development of the sugar industry has led to the investment by the public of some Rs. 15 crores and has taken place by reason of the assurance of protection to the industry for a period of 15 years. This assurance not only protected the investing public from competition from foreign sources but also implied equality of treatment for all classes of sugar producers in India.

Sir, there is a rumour prevalent in India that this excise duty has been imposed as a result of the Far Eastern policy, and that that policy, considering the present political situation in Chinese and Japanese waters and the relations between China, Russia and Japan, has been one of the causes which have led to win out the Dutch and the Dutch East Indies.

THE HONOURABLE SIR ALAN PARSONS: May I immediately contradict that rumour? It is absolutely untrue.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Sir, I am glad that this rumour has been contradicted by the Honourable the Finance Secretary.

THE HONOURABLE SIR ALAN PARSONS: I am grateful to the Honourable Member for giving me an opportunity of contradicting the rumour. I did not know of it.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Neither did I.

THE HONOURABLE RAI BAHADUR LAI A RAM SARAN DAS: Sir, such rumours do crop up sometimes and they should be instantaneously contradicted if they are wrong.

Sir, I might for the information of this House mention that, as my Honourable friend Malik Mohammad Hayat Khan Noon has said, in the Punjab there is no extensive cultivation of sugar-cane. But, Sir, the Punjab has invested a considerable amount in the sugar mills, particularly in the United Provinces. I know instances, Sir, where people have mortgaged their property and ornaments at high rates of interest in order to buy the shares of new sugar concerns. Their fate now, after the imposition of this excise duty, seems obvious and the result is that a great set-back is being given to the habit of investing public money in industry. I, therefore, Sir, am opposed to this Bill and am opposed to the excise that is proposed, which I fear will result in the infanticide of the sugar industry.

THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (Madras: Non-Muhammadan): Sir, a criticism has often been levelled against the Government that this excise duty on sugar would kill the infant industry. Let us examine whether there is any force in that criticism. The Tariff Board recommended an effective protective duty of Rs. 7-4-0 per cwt. for sugar that is imported into this country, and that if at any time the price of imported sugar goes below Rs. 4 per cwt. a further increase of eight annas per cwt. should be imposed making up a total of Rs. 7-12-0 per cwt. This was in 1931. The Tariff Board hoped that by the end of the period of protection, viz., 15 years, India would be able to produce as much sugar as she required.

In 1932, the Government imposed a general surcharge of 25 per cent. on all dutiable articles. Hence the sugar industry got an additional protection of Rs. 1-13-0 per cwt. Under this high tariff wall the sugar industry has prospered and made substantial profits. While this is a matter for congratulation, it must also be remembered that Government has lost heavily in customs duty on sugar since the protectionist policy was launched. The revenue derived from sugar duties has dwindled from Rs. 10 crores in 1928 to Rs. 2 crores according to the budget for next year. To counterbalance this heavy loss in revenue Government had naturally to turn round and tax other necessities of life. Already we find that a match duty is levied. This is a poor man's necessity as well as a rich man's. All the profits of the sugar industry go only to the pockets of a few factory owners. The Government proposals are very reasonable as they only ask the factory owners to pay an excise duty which is the difference between the present protective duty and that recommended by the Tariff Board. I cannot see any ground of grievance for the factory owners. On the other hand, on account of the high protective duty many factories have grown up like mushrooms and in a few years over-production is inevitable with its resultant effect of falling prices and competition. Sir, it is contended that India will then be in a position to supply Great Britain and other foreign countries with its sugar. But this contention is fallacious. For Java is now able to produce three times the quantity of sugar-cane per acre than what India is able to produce. Hence it will be able to sell cheaper in foreign markets. Therefore, Sir, I welcome this Bill. We must also be thankful to the Government for fixing the price of cane under another Bill and thus conferring a real benefit to poor cane-growers who are now being paid very low prices for their cane by the factory owners.

[Diwan Bahadur G. Narayanaswami Chetti.]

Sir, I wish to submit that the question of *khandsari*, that is, the producers of sugar by indigenous processes stands on an entirely different footing. They require exemption from the excise duty. Though it is true that most of the *khandsaris* do not come under the definition of "factories," some do come under that definition, and I plead for their exemption for the following reasons :

- (1) The utmost recovery that they are able to get from cane is only five per cent. as compared with factory owners who get eight to nine per cent.
- (2) The *khandsari* sugar is far inferior to factory-made sugar and thus gets less price per maund than factory sugar. The difference in price varies from twelve annas to Rs. 1-4-0 per maund. Hence they cannot afford to pay this excise duty. It is a cottage industry in my province and many agriculturists are producers of *khandsari* sugar. Further they consume as much cane as the factory owners. The price of jaggery has fallen below the cost of manufacture. Every one cannot erect big factories. As a matter of fact in my presidency there are only eleven factories as against 77 in the United Provinces. Hence we have to develop *khandsari* production of sugar to a great extent if we want to consume all our cane. As this excise duty will be too heavy for the indigenous producer of sugar, namely, *khandsaris*, I plead for their exemption.

With these words, I have pleasure in supporting the Bill before the House.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan) : Sir, in spite of the eloquent support given to this measure by my Honourable friends Diwan Bahadur Narayanaswami Chetti and Malik Mohammad Hayat Khan Noon, I am sorry I am not in favour of the principle underlying this Bill. I am opposed to the proposed levy of an excise duty on sugar on more grounds than one. *Firstly*, sugar is an important article of food for the millions of poor people in India and excise duty on it means a tax on the production of food which is not justified on the grounds of equity. *Secondly*, the sugar industry is still in its infancy in India and an impost on it would mean the taxing of a nascent and budding industry and is therefore likely to have a serious effect on its development. The Government thinks that the development of the sugar industry in the country has far exceeded the wildest estimates and that there is a real danger of over-production of sugar. But it should be remembered that the development of the sugar industry has just begun and the fact that this duty should have been levied when new factories have just started work and before they have had time to overcome the initial difficulties which every new venture has to encounter and before over-production has become a proved fact, makes the imposition of the proposed duty quite indefensible. *Thirdly*, Sir, it was only two years ago that the Government of India undertook legislation on the basis of the recommendations of the Tariff Board, with a view to assure the sugar industry an uninterrupted period of protection till the 31st March, 1938 : and now the announcement of a fiscal change of far-reaching importance has come to those who have sunk crores of capital in the industry in the belief that it had been given

an assured shelter for at least seven years and may be for 15 years, as nothing short of a breach of faith, if I may use that expression without impropriety.

Sir, the Honourable the Finance Member, in his budget speech, stated that in many cases large profits were being made by sugar manufacturing companies. If this is the idea that has prompted the Government to impose an excise duty on sugar, then I submit that the first thing the Government should have done was to remove the emergency surcharge of Rs. 1-13-0 per cwt. imposed on the protective duty of Rs. 7-4-0—

THE HONOURABLE SIR ALAN PARSONS : That would not have given us any revenue.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD : Then I would not have minded if, instead of levying an excise duty on sugar, a tax had been imposed on the profits of sugar factories. That would have brought Government revenue, Sir. Such a proposal would any day be more equitable than the imposition of an excise duty on sugar, although sugar manufacturing companies are at present paying not only income-tax but also super-tax and the surcharge on income-tax. This proposition would have been better from the point of view of the consumer also in the sense that by the imposition of a tax on the profits of sugar factories there would have been no danger of the prices of sugar going up, whereas the levy of excise duty, it is feared, might result in a rise of the price of the commodity and thus may affect the interests of the consumer to some extent. Besides this, there is a danger to the interests of the cane-grower also involved in the proposal of the excise duty inasmuch as it is feared that with the resultant increase in the cost of production of sugar the sugar factory owners would try to buy sugar-cane from the growers at cheaper rates than heretofore by some device or another, notwithstanding the provisions of the new Bill to regulate the price of sugar-cane which we are going to consider shortly.

Then, Sir, the extent to which this impost has evoked opposition in the country can be gauged from the fact that, commercial bodies and associations apart, whose views are well known, Provincial Legislative Councils of the United Provinces and the Punjab, among others, which are the most important sugar-cane growing and sugar manufacturing provinces in common with the province of Bihar, and where the largest number of sugar factories exist or are under construction, and which therefore are the areas mainly to be affected by the proposed duty, have opposed the measure in unequivocal terms and passed resolutions protesting against it. But the Government of India has ignored the views of these provinces whose people will be the sufferers by the provisions of this Bill.

The Government has not even cared for the fact that a number of sugar factories have been destroyed in the province of Bihar by the earthquake. If an excise duty on sugar is going to be imposed in spite of the country-wide opposition, then at any rate these factories in Bihar should have been exempted from this duty for some time. Similar is the case with a number of new factories which have been built up only this year and which cannot be said to have made profits, and likewise is the case with others which are still in the course of erection. The case of all these calls for exemption for some time to give them opportunity to get accustomed to the conditions of work and become efficient. But in spite of the efforts of non-official Members in the Legislative Assembly



[Rai Bahadur Lala Jagdish Prasad.]

the Government is not prepared to treat their case on a different footing but they are to be treated on the same level as the much older and experienced factories which have long been in running order. Is it fair and equitable, I ask?

Then, there is the *khandsari* sugar to be taxed which is an agricultural industry. Some non-official Members pleaded in vain in the Lower House that this industry deserved protection instead of taxation, as there is always a competition going on between the *khandsari* and factory sugar. *Khandsari* sugar is produced mainly by agriculturists who have generally to borrow money in order to invest it in the industry, unlike the capitalist owners of sugar factories, and their case therefore should have been treated on a different footing in that no excise duty should have been imposed on *khandsari* sugar. One Member of the Legislative Assembly is reported to have gone to the length of opining that excise duty on *khandsari* sugar was a duty on orthodoxy and religion, apparently because of the comparatively primitive methods employed in the manufacture of this kind of sugar and by reason of its being of an inferior quality on account of which it sells cheaper than the ordinary factory-made sugar. It is a well-known fact that there is a lower margin of profit in the case of sugar made by the *khandsari* process and that such sugar is accordingly less capable of shouldering the proposed duty. Then, Sir, there are no data in the possession of the Government to ascertain the real conditions of the industry and taxing an industry in the absence of any data is, in my opinion, a thing unheard of in any civilized country. As the Select Committee has rightly remarked, if the *khandsari* industry is suddenly seriously damaged that may react on the growers of sugar-cane who rely on the disposal of cane or *gur* to *khandsari* factories. But the Government have no soft corner in their heart even for this cottage industry and they have not seen their way to exempt it from duty.

And lastly, Sir, I must object to the Government's not accepting the majority report of the Select Committee which, as a sort of compromise, had proposed a reduced rate of duty, and their turning it down in the open Assembly by the sheer strength of votes. It had been pointed out to the Government by some Members that in spite of the lowering of the rate of duty the budget provisions could be kept intact as they thought that the Finance Member's estimated yield of Rs. 1.47 lakhs from excise duty at the rate of Rs. 1-5-0 per cwt. was an under estimate. They pointed out that owing to the growth of the new factories and large quantities of sugar bound to be manufactured in the current year, they estimated that at least 750,000 tons of sugar would be produced as against the Government estimate of 646,000 tons. Moreover, as the Government estimate did not include the *khandsari* sugar which has been roughly estimated to amount to 250,000 tons and of which at least 60 per cent. is estimated to be produced by the factories, the Members estimated that the total amount of revenue at Rs. 1-5-0 per cwt. would come to Rs. 2.36 lakhs. Thus they made it clear that the reduced rate of duty proposed by the Select Committee would yield the revenue required by the Honourable the Finance Member. But the Government did not care to accept any single important proposal made by the popular side of the Lower House in relation to this Bill.

For these various reasons, Sir, I am obliged to withhold my support from the measure.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY (Bombay : Nominated Non-Official) : Sir, I rise to support the consideration of the Bill. The proposed excise duty has met with considerable opposition from the promoters of the industry. Their opposition is based upon the assumption that their profits would be considerably reduced and the industry ruined entirely ! Since protection was granted the expansion of the industry has been very rapid indeed and from 31 factories in 1931-32, the number will increase to 155 in the course of the current year, in addition to twelve *gur* factories. If the protection which has still to run for some years, is to continue, it is bound to increase to a much greater extent. Unfortunately however the promoters were too hasty. They did not wait to see the experience or the mistakes of their predecessors ; they went on headlong in order to obtain quick profits. In fact, although the Honourable the Finance Member last year foreshadowed an excise duty in his budget speech which should have given them something to think about, they went on increasing the number of factories. They imagined that, with the protection given, they had discovered an Eldorado or another Klondyke where money could be made by merely scratching the surface of the soil. Then, Sir, large and quick returns were probably anticipated. It was said at another place that even widows and poor small shareholders borrowed money in order to buy the shares of the sugar companies ! They must have been very greatly tempted and their cupidity aroused. I hold here in my hand an advertisement from a local paper which says that—

THE HONOURABLE THE PRESIDENT : Order. order. You cannot read anything from a newspaper.

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY : Very well, Sir. When share brokers and agents are allowed hereditary commissions as also preferential treatment is promised to large investors, it is but natural that it is to the advantage of the former to induce people of small means to rush to buy the shares. There are some publications which I have no doubt have been circulated amongst the Honourable Members by experts who oppose the excise duty. They however give away the whole case. They say that there was want of proper organization, that there was no adequate preliminary inquiry and no research at all. Further they state that there was lack of experience on the part of the management, cheaply bought and erected machinery and practical absence of all technical knowledge. The price of cane was not regulated and the farmers were mulcted of a fair price through unjust and excessive deductions by false weights. These are statements made by the opponents of the excise duty ! And one declares that on account of this excise duty and fixation of the price of sugar-cane the Provincial Governments will grind down and obtain the maximum of land revenue through various devices from the cane-growers. The cry therefore about the ruin of the sugar industry is not justified. In face of the above indictment, Government cannot be held responsible for the initial faults of the promoters of the industry. If internal competition has reduced their profits as alleged, it is through want of proper organization of the industry and consequent absence of any stabilizations of prices. We hear a great deal about the interests of the agri-

[Khan Bahadur Dr. Sir Nasarvanji Choksy.]

cultural population. If more factories were established, if more sugar is produced, if the cost of manufacture is reduced, it would be to the greater benefit of the agriculturists. The people of India would thus be able to buy sugar at a cheaper rate. That the sugar industry is not so badly off at present can be seen from the prospectuses of new companies. A prospectus was recently issued of a company with a capital of Rs. 1½ lakhs, of which Rs. 10 lakhs was to be called in for a factory intended to produce 300 to 750 tons of sugar per day. The estimated profit at the rate of Rs. 3 per maund was calculated at Rs. 4½ lakhs on a capital of Rs. 10 lakhs! If Rs. 1-5-0 per cwt. were to be deducted as excise duty, the net profit would be Rs. 3,80,000, or nearly 30 per cent! Is such an industry going to be ruined by this excise duty, I ask the Honourable House?

THE HONOURABLE SAIYID RAZA ALI: Does the Honourable Member believe in the accuracy of the statements made in the prospectus?

THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI CHOKSY: I presume these are honourable men who have put their signatures to the prospectus and you must take them at their face value. The existing factories if they desire to work for the benefit of their promoters and shareholders will have to put their house in order or go to the wall. They should not cry out like spoilt children who want to have their cake and eat it too! The Honourable the Finance Member said in the other House that in spite of his reference to an excise duty in his last year's budget speech, ten more factories have been projected, and four more since he announced in the House its imposition this year! There still exists an ample field for factories with efficient management, and if the present protective duties are retained there will be fair profits for the shareholders, cane-growers and labourers and low prices of sugar. The present output is inadequate to meet the total consumption, say some of the promoters.

Now, Sir, I come to one of the greatest drawbacks of every industrial concern in India, and that is the total neglect of preliminary investigation and absence of research in order to save expense. These form the basis of technical efficiency. No industry can thrive unless it makes every effort to investigate the potentialities not only of its by-products but of its tail-products as well, so that not a particle of the raw material is lost or wasted. The sugar industry should ere this have organized a technological laboratory for the purpose and not waited till Government should have made a move. Industries in Europe and America do this for their own benefit. Were it known in the scientific world that a rich material like molasses was being wasted and even thrown away, Indians would be considered as arrant fools or stark mad. This state of affairs is indeed very disheartening to any lover of this country. Those who clamour for self-government make such a sorry exhibition of self-help and then lay all the blame at the doors of Government for their own incapacity! In his masterly and exhaustive monograph on the sugar industry, Mr. Gandhi—not the Saint of Sabarmati—but the Secretary of the All-India Sugar Association, has treated exhaustively the potentialities of the raw products of the sugar industry. He shows how it would be possible to utilize to the utmost every little piece of sugar-cane for the benefit of the country! If each of the 155 factories had laid aside Rs. 1,000 only for the purpose of a technological

institute, they would have been far better off today than they were last year or the year before. But no, they want Government to do everything for them ! The promoters should be grateful to Government for setting up for research the Harcourt Butler Institute at Cawnpore in order to make further investigations into the potentialities of molasses and its by-products.

Sir, I entirely agree with the suggestion made in the other House that on account of the catastrophic events that have occurred in Bihar and the destruction of several factories, Government should give them some special consideration. At the same time I cannot help saying that, when people wanted sympathy, when they wanted encouragement, when their hearts were seared and bleeding they should have been accused of sins which, it was said, had brought down upon them this calamity. I will not say more. It was a cruel and a heartless stab to those who were practically homeless and ruined and who were humbly and peacefully carrying on their usual avocations.

Sir, I support the Motion for the consideration of the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, I am glad that the country-wide opposition to this measure has found adequate reflection in this House. Barring three Honourable friends, all have opposed the measure tooth and nail. Sir, the support of my friend Mr. Padshah would have been much better if he had only uttered the words " I support this Bill ! " He went into details and the principles of which he was utterly ignorant. I put certain questions about facts and figures but he could not give any reply. He talked about market conditions when the report of the Tariff Board was made and the market conditions today. But I am sorry he does not know what was the rate of sugar on that day, what was the rate recommended by the Tariff Board and what is the present rate of sugar.

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR : Sir, the Select Committee themselves who recommended the lower rate were not able to ascertain facts and base their recommendation on them ; all that they did was simply to calculate the rate from figures furnished to them by the Government.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I am not supporting or opposing the Select Committee. I am just replying to the arguments of my Honourable friend. Then he talked about profit and the cost of production of sugar. I repeatedly asked my friend to give the cost of production and the margin of profit, but he could not give them. Sir, all this has made confusion worse confounded. Then, Sir, my friend, the last speaker, made certain observations which I think are quite strange. He said that he had seen a prospectus issued saying that the profit would be Rs. 3 a maund. We all know how rosy pictures are made out in prospectuses just to attract shareholders. He should have talked about the results and not about the hopes raised in prospectuses. Then he said that in spite of this duty, ten new factories are going to be started. The reason why ten new factories are going to be started now is that the companies were registered long ago, the share capital of most of them is, if not fully, mostly subscribed, orders for machinery have already been placed and there is no other alternative for them but to start the factories. Then he talked about the utilization of the molasses. I entirely agree with him and I believe that the factory owners

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

are making frantic efforts to get the molasses used in some way or other, but they cannot do so unless they receive the support that people in other countries get in that respect. I will give facts and figures to show that in other countries Government have by legislation compelled the petrol companies to mix a certain percentage of molasses in petrol. I would like to ask my Honourable friend whether the Government of India have done anything in that direction or are the Government of India prepared to enact the same legislation as in other countries for the utilization of molasses in mixing petrol? It is no pleasure to the factory owners to throw their molasses away and spend a certain amount in getting rid of it rather than getting some price for it. This is all I have to say so far as my Honourable friend who supported the consideration of this Bill is concerned.

Now, I would seek the indulgence of the House to narrate a brief history of the sugar industry from the very beginning. I assure the Honourable House that I shall be as brief as possible and will not try their patience. Sir, India is the birthplace of sugar and we were making white sugar when other countries did not know what it was. The word is not new to us. It is found in our religious, holy, books. This commodity was produced here and India was proud in exporting sugar to other countries. Sir, I would read a portion from the book *The Indian Sugar Industry* that has been very recently published and Honourable Members will know when sugar was manufactured in India.

“It would thus be clear that India is the birthplace of the manufacture of sugar from sugar-cane. Sugar (*sharkara*) is mentioned in the *Shastras* as one of the five *amritas*, i.e., celestial sweets”.

Then, Sir, I will give a few figures to show that India was exporting sugar when other countries in the world did not know what white sugar was.

THE HONOURABLE THE PRESIDENT: What is the name of that book?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: *The Indian Sugar Industry*, by Mr. M. P. Gandhi, M.A., Secretary of the Indian Sugar Mills Association.

The export of sugar during 1874-75 to 1878-79 was as follows :

						Cwt.	Rs.
						(In thousands.)	
1874-75	..	..	..	..	..	498	31,92
1875-76	..	..	..	..	..	420	25,39
1876-77	..	..	..	..	..	1,093	92,51
1877-78	..	..	..	..	..	844	74,58
1878-79	..	..	..	..	..	279	20,43

So, Sir, we find that India used to export sugar instead of being dependent on foreign countries. What do we find in the 20th Century? The import of sugar began in India and year after year it increased. If Honourable Members will turn to page 18 of the report of the Tariff Board, they will find

how Java and other foreign countries began to import their sugar into India taking advantage of their improved methods and better quality of sugar :

					Tons. (In thousands.)
1908-09 to 1910-11 ..	..	..	..	..	2,161
1911-12 to 1913-14 ..	..	..	..	..	2,435
1914-15 to 1916-17 ..	..	..	..	..	2,585
1917-18 to 1919-20 ..	..	..	..	..	2,864
1920-21 to 1922-23 ..	..	..	..	..	2,671
1923-24 to 1925-26 ..	..	..	..	..	2,893
1926-27 to 1928-29 ..	..	..	..	..	2,966

All this shows that year after year the import of white sugar into this country used to increase. Now, Sir, the next question is whether the Government of India has thought it proper to levy the duty before or after the recommendation of the Tariff Board ? I will lay figures before this House which will show that the Government of India commenced levying an import duty as a revenue measure from 1908-09 till 1930 when the Tariff Board was set up and the revenue duty was converted into a protective duty. On page 22 of the Tariff Board report, Honourable Members will find that in 1908-09 to 1910-11 the revenue duty was levied at five per cent. ; in 1911-12 to 1913-14 the duty was the same ; in 1914-15 to 1916-17 the duty was five per cent. *ad valorem* to 28th February, 1916, after which it became 10 per cent. and remained so till 1922-23. Then, Sir, from 1923-24 to 1925-26, the duty was raised from 10 to 25 per cent. ; and in 1926-27 to 1928-29 this duty of 25 per cent. was changed to Rs. 4-8-0 per cwt. In 1929-30 the duty was raised to Rs. 6 per cwt. and after that, Sir, the Tariff Board was set up which recommended a protective duty of Rs. 7-4-0. Thus, Sir, we find that up to 1929-30 the revenue duty was levied at as much as Rs. 6 per cwt. and so the Tariff Board recommended only an increment of Rs. 1-4-0 as a protective measure. Sir, the Honourable Members have just told us that the Government has given too much protection to the sugar industry. That is not the case. If the Honourable Members will look at the figures of other countries of the world, they will find that they have levied still higher duties on the import of sugar and not only have they put up still higher duties but they have also helped the industry by giving bounties.

Sir, it was in 1920 that the Government set up a Committee under the Chairmanship of Mr. J. Mackenna, Agricultural Adviser to the Government of India. That Committee made favourable recommendations and I think after a few years' consideration of that report—because the report was kept confidential and nobody for a few years knew what were its recommendations—the Government changed from the percentage to the hundredweight basis. Sir, in this report they strongly recommended the case of India and requested the Government to levy a strong protective duty just as is found in other countries so that the industry may develop. The Government went on considering the matter for a very long time and it was only, as we know, in 1930 that the Tariff Board was appointed to find out if it was desirable to put up a protective duty in order to develop the industry. The Board went

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

into the whole question and made a strong recommendation for a protective duty. On pages 52-53 of the Board's report, Honourable Members will find the strong language in which the Tariff Board made recommendations for this duty. They say :

"It may be urged that the protection of the white sugar industry is desirable on other grounds also. Central factories in order to obtain fresh supplies of cane must be situated in rural surroundings. They thus afford very considerable employment to agricultural classes in the period between the *kharif* and *rabi* harvests when agricultural operations are slack".

Then later on they say :

"While then the retention of money in India may constitute a subsidiary argument for protection of the white sugar industry, the case for protection really rests on the importance of cane cultivation in the agricultural economy of India and the measure of protection must be determined with reference to the changed conditions which have been and are being brought about by the introduction of improved varieties of cane resulting in a great increase in the crop outturn. It is necessary on general agricultural grounds to maintain or increase the area under cane and to secure this end an outlet must be provided for surplus cane".

Sir, such was their recommendation and in detail they recommended :

"(27) We propose therefore that the assistance given should be by way of duty. In order to enable the industry to face initial difficulties and to safeguard the position of the manufacturer of indigenous sugar by the *bel* method in Rohilkhand we propose that for the first seven years the duty should be fixed at Rs. 7-4-0 per cwt. and for the remaining period at Rs. 6-4-0 per cwt. The total protection thus granted would be approximately the same as would result from the imposition of a duty of Rs. 6-9-3 for the whole period of protection.

(28) We recommend that the period of protection should be for 15 years.

(29) Since agreement regarding export quotas appears to have been arrived at by the leading sugar-producing countries, we have with some hesitation decided to recommend no further immediate increase in duty beyond the protective duty already recommended. We recommend that should the present international negotiations for stabilization of prices fail or should market prices in Calcutta in the future fall below Rs. 4 without duty, a further duty of eight annas per cwt. should immediately be imposed".

This was the detailed recommendation of the Tariff Board and on this recommendation the Government introduced legislation in 1932. In that legislation Government made it clear that this duty of Rs. 7-4-0 will be in operation up to 1938 and that again a Tariff Board, if necessary, will be set up for making an enquiry for the next eight years. It was, Sir, on a definite understanding of this, and on the legislative measure, that the capitalists came forward and invested about Rs. 20 crores in the industry. What do we find ? After a lapse of only a couple of years and without any enquiry from the Tariff Board, Government has come forward to levy an excise duty of Rs. 1-5-0 per cwt. Section 3 of the Sugar Industry (Protection) Act, 1932, reads as follows :

"The Governor General in Council shall cause to be made by such persons as he may appoint in this behalf an enquiry to ascertain if the protection of the sugar industry during the period from the 31st day of March, 1938 to the 31st day of March, 1946, should be continued to the extent afforded by this Act or to a greater or less extent and shall not later than the 31st day of March, 1938, lay his proposals in this behalf before the Indian Legislature".

Relying on this section of the Act, people hurried to develop the industry thinking that they must try to get good returns during seven years, and after that when another Tariff Board will be set up, they will know what will be their fate.

I entirely agree with two of my colleagues who have just spoken when they submitted that the public was deceived in this respect and that Government has not acted very fairly. Government certainly ought to have taken note of the facts and figures before coming to this duty of Rs. 1-5-0 per cwt. As it has been stated by two or three speakers and especially by the last speaker that this industry has been much favoured by Government in giving such high excise duty, I would place certain facts and figures to show that other countries have still higher import duties on sugar. In India, this duty *plus* the surcharge of Rs. 1-13-0 comes to Rs. 9-1-0 per cwt. In Germany, the duty is Rs. 15-15-0 per cwt., that is, almost double of what it is in India. In France, Rs. 14-4-0 per cwt.; in the United Kingdom there is not only an import duty but Government has spent millions of pounds in helping the industry by giving large bounties. In the Irish Free State, the duty is Rs. 9-5-4 per cwt.; in the United States, Rs. 8-2-6 per cwt. So, Sir, several other countries have got a higher import duty on sugar than India. What is the object? The object is not only to develop the industry but to help the agriculturist. Sir, after the passage of this Act, a large number of factories were started in India. I shall show how these factories sprung up. In 1919-20, there were only nine factories; in 1921-22 and 1922-23, there were 20 factories; from 1923-24 to 1925-26, there were 23 factories; in 1926-27, there were 25 factories; in 1927-28, there were 26 factories; in 1930-31, there were 29 factories; in 1931-32, 32 factories. But after the passage of this Act, the number rose from 32 to 57 in 1932-33; and in 1933-34, the year we have just closed, the number of factories rose to 135. That is to say, as many as 70 factories were started in the financial year 1933-34. Sir, as we all know, when a factory is started, it takes time to get the machinery set up, to know what are the defects in the machinery and how to rectify it. Out of these 70 factories that have been started in 1933-34, most of them could not be run for the full season, and the majority have worked properly only for the last three or four months. Sir, as many as eight factories out of these 70 have not yet been able to commence work and are lying incomplete. I can give the names of each and every factory which is incomplete yet and has not started work. In the face of all this, Sir, we find this high excise duty of Rs. 1-5-0 per cwt. being imposed. Proper opportunity has not been given to these factories to develop. What we find is that much is being said about efficiency. These

1 P.M.

factories have not even started properly, so how can you expect them to run efficiently? It would have been in the fitness of things if Government had made exceptions in the case of factories which have not worked for two seasons, or something like that. It is reasonable to allow two years to a new factory to ensure its efficiency, to enable it to find out its defects and to complete all necessary erections. What will this produce on the minds of capitalists in India? When Government gives protection to other industries the capitalists will feel shy of investing his capital, because he will remember that in the case of sugar Government fixed a definite period of protection and before the end of two years Government ignored it and levied an excise duty. So they will not invest money in other industries because Government might come in and do the same thing there. So this measure will have a far-reaching effect on the development of industries in India. It is not only the sugar industry which this measure hits. After the passage of this Bill and the levy of this high excise duty the capitalists will consider not once or twice but a dozen times before investing money in other industries.



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

And what will be the result ? The result will be that India industrially will take centuries to develop and stand on its own legs. It will always have to look to foreign countries for its manufactured products and will not be self-contained.

Now, Sir, it has been said by the Finance Member that so much loss has been incurred in the revenues of Government on account of this protective duty. I admit the Government has lost about Rs. 20 to Rs. 30 crores in import duty. But they did it with their eyes open. When the Government gave protection to this industry it was a foregone conclusion, and it was indeed the object of the protective measure, that imports of sugar would stop, and if that happened Government naturally would lose. If the question of revenue was alone in the minds of the Government of India and not the development of the industry, why did they pass that protective measure and raise the duty ? Therefore this argument that Government has lost so many crores by way of import duty does not appeal to me at all. They have done it with open eyes and if they want this industry to stand upon its own legs they should face that deficit. On the other hand Government has also gained. Against the loss of the import duty Government has gained enormously in other ways. A large amount of machinery has been imported on which they have got 10 to 20 per cent. duty. Now, Government might say that is finished ; the machinery has been imported and we have got the duty and now there is very little hope of getting more mills set up in India and in future we will not be compensated by this duty on machinery. That is what they would say. I would submit that that is not the case. The factories which have been set up require extensions and renewal of parts every year, and there must be a continuous import of machinery and parts. It will not pay so much but it will pay something every year, and with so many factories set up there will be a steady increase in parts and new machinery imported.

THE HONOURABLE SIR ALAN PARSONS : Is the Honourable Member suggesting that in future we are likely to get more from customs duty on imported sugar machinery than we have done during the last two years ?

THE HONOURABLE RA BAHADUR LALA MATHURA PRASAD MEHROTRA : I have explained, Sir, that they will not get as much as they have got in the last two years, because in these two years the whole machinery was imported. But now they will be getting customs duties upon machinery and parts worth, say, a couple of crores or a crore and a half a year, which will be required for additions, alterations and substitutions of parts of machinery already set up. In this respect also the United Kingdom is the greatest gainer, so far as the import of machinery is concerned. I will just place a few facts to show that the machinery has been enormously imported from the United Kingdom. So both the Indian Government and the Government of Great Britain have gained in the development of this industry. In 1928-29, 16,030,000 worth of machinery was imported from the United Kingdom ; 2,300,000 worth from Germany and 6,100,000 from France. In 1929-30, 859,000 worth from the United Kingdom ; 800,000 from Germany ; 300,000 from Belgium and 1,300,000 from France. In 1931-32, 10,082,000 from the United Kingdom ; 2,300,000 from Germany ; 2,300,000 from France. In 1932-33, 1,948,000 from the United Kingdom alone ; and in 1933-34, 16,689,000 from the United Kingdom and

from no other country. So, Sir, Honourable Members will find that machinery worth some crores of rupees has been imported from the United Kingdom and thus there is a mutual gain to both.

THE HONOURABLE THE PRESIDENT: Does that all refer to sugar machinery?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Yes, Sir, I am quoting about sugar machinery only. Then, Sir, there has been an enormous development so far as the cane area is concerned and by that development the agriculturist of this country, the landlords as well as the Government, have all gained indirectly from the development and protection of the sugar industry. I will quote the latest figures for 1933-34 about the increased acreage in all the provinces on account of the development of the sugar industry. Sir, the position as at present about the acreage of sugar crop in all the provinces is as follows:

							Per cent.
United Provinces	..	..	..	..	..	..	51.8
Bihar and Orissa	..	..	..	..	..	..	9.9
Madras	..	..	..	..	..	..	3.6
Punjab	..	..	..	..	..	..	14.6
Bengal	..	..	..	..	..	..	7.2
Bombay	..	..	..	..	..	..	3.3

The total acreage of sugar-cane is about 3,305,000 acres. Sugar-cane, we all know, is the principal and paying crop nowadays, and any tenant who has got one acre of sugar-cane can pay his dues for the rest of the land for the whole year; and so the tenants have gained. The landlords cannot realize their dues in the present depressed condition, except from the development of this industry and the landlords can get the full amount of dues from tenants who have sugar-cane; and consequently the Government gets a large percentage of land revenue in the area where sugar-cane has been developed. Besides, the Government also gets in my province a large amount as canal dues for the water taken for irrigation of the cane area. So, Sir, the Government has been a large gainer in other respects if they have lost a few crores in the way of import duty as a protective measure. Then, Sir, there is another important aspect of the development of this industry, by which if Government has not gained in money it has gained in reputation in decreasing the number of unemployed. So many sugar factories have sprung up; they have employed a large number of staff, both educated as well as labourers, and in this way they have relieved unemployment by the development of the sugar industry. The industry is giving employment to about 1,500 people qualified in chemistry and mechanical engineering and 100,000 factory workers in these days of unemployment. This industry has found a new cash market for about 600,000 tons of sugar-cane worth about Rs. 6 crores which gives employment to about half a million agriculturists. This is another aspect of the question in which Government has given its moral support, if not in money, to so many millions of people in developing this industry. When the Government was going to impose this excise duty, it was the primary duty of the Government to find out from the Tariff Board whether the results set out by the Board have been reached and the time has

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

come for levying this duty. The Tariff Board had fixed a certain price for sugar and if that price was retained in India it was proper for the Government to take up this question of levying an excise duty. But we find that that price has not been reached yet and the Government has come forward with this excise duty. The Tariff Board after taking everything into consideration had fixed the price of sugar at Rs. 9-5-9 till 1938 and after 1938 they fixed the price of sugar, upon which their calculations were based, at Rs. 7-12-5. Up to the month of February when the excise duty was not levied the price of sugar was Rs. 7-12-0, which the Tariff Board considered would be the price at the end of 15 years. Consumers therefore were not suffering, the mills were not getting that price on which the Tariff Board had made calculations and in spite of all that we find that this duty has been proposed. Sir, I will give details as to how the price was worked up by the Tariff Board at Rs. 9-5-9.

THE HONOURABLE THE PRESIDENT: Are you going to read the whole of that book to the House?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Only certain portions, Sir, which are very necessary. If you will not allow me, Sir,—

THE HONOURABLE THE PRESIDENT: No, no. I do not say anything.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I will change from that book to the report of the Tariff Board. At page 69 they have worked out the details as follows:—

						Per maund.			
						Rs. A. P.			
Cane	..	..	..	..	..	..	5	8	10
Other raw materials	..	..	..	..	..	..	0	2	0
Labour	..	..	..	..	..	..	0	8	0
Power and fuel	..	..	..	..	..	..	0	1	3
Supervision, office charges, etc.	..	..	..	..	..	..	0	11	3
Current repairs	..	..	..	..	..	..	0	7	0
Packing	..	..	..	..	..	..	0	2	9
Miscellaneous	..	..	..	..	..	..	0	10	0
Total						..	8	3	1
Deduct—value molasses						..	0	10	8
							7	8	5
Overhead charges and profit at 10 per cent.						..	1	13	4
Total						..	9	5	0

And in this way, Sir, they came to the conclusion that the fair selling price of sugar ought to be Rs. 9-5-9. If we add the price of molasses which we deducted, i.e., ten annas and nine pias, we find that the price will be still more, that is, about Rs. 10. But, Sir, when sugar is being sold at about Rs. 8 it was not proper for Government to come forward and levy an excise duty of Rs. 1-5-0 per cwt. Besides, Sir, at that time Java was importing its sugar at Rs. 4 a maund exclusive of the import duty. And so the Tariff Board

considered that if Indian sugar is being sold at Rs. 9-5-9 the mills would be able to compete with Java and they would be able to get a profit of ten per cent. But, Sir, Java has commenced to import sugar at a still lower price. At present Java is importing sugar at Rs. 3-2-0 instead of Rs. 4 as imported at that time and therefore the Java prices of sugar in this country are still more reduced. The Indian mills naturally had to reduce their prices. Besides that, when so many mills have sprung up here, there has grown up internal competition. Considering all that, when mills are selling sugar at about Rs. 8, I am afraid they are hardly making very much profit, as my Honourable friend, Sir Nasarvanji Choksy said, and who seemed to think they made a profit of Rs. 3 a maund. I fancy, Sir, that the mills would be prepared to give him a contract and take only a rupee or Rs. 1-8-0 a maund instead of Rs. 3 and leave the management in his hands.

Sir, we all know that all the Provincial Legislatures which are intimately connected with the sugar industry have passed Resolutions against this excise duty. There was an adjournment Motion in the United Provinces Council and there was such strong feeling among the Members that it was passed without Government challenging any division. There was a Motion in the Punjab Legislature. There was also a Motion in Madras. And almost all the Chambers of Commerce have sent resolutions and representations against this duty. Therefore, Sir, when there is such opposition to this Bill, I think it is in the fitness of things that Government should not press it at Rs. 1-5-0 but consent to the recommendation of the Select Committee to reduce it to Re. 1 at least. And as the Government has, by an assured majority, as my colleague has said, in the Legislative Assembly, turned down the Select Committee's report and passed the legislation at Rs. 1-5-0 per cwt. we are not in a position to support the consideration of this Bill and therefore, Sir, I oppose the Motion.

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The Council then adjourned for Lunch till a Quarter to Three of the Clock.

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The Council re-assembled after Lunch at a Quarter to Three of the Clock, the Honourable the President in the Chair.

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THE HONOURABLE THE PRESIDENT: The debate will now resume.

THE HONOURABLE SAYYID RAZA ALI (United Provinces: Nominated Non-Official): Sir, the presentation of the budget took place in this House on the 27th February and the discussion that followed demonstrated how short-sighted it is to try to be magnanimous in the adjustment of financial relations. The Finance Secretary on that occasion pointed out that if it was desired to transfer half of the proceeds of the jute duty to Bengal, it would be necessary to supplement the budget by raising fresh taxation—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: It was in connection with matches.

THE HONOURABLE SAYYID RAZA ALI: I believe it was in connection with the excise duty both on sugar and matches. This is my impression to the best of my recollection.

**THE HONOURABLE SIR ALAN PARSONS :** Sir, it will clear up matters if I explain the position. I said that quite apart from our proposals for assisting Bengal there was a deficit of Rs. 1,58 lakhs to be filled, and Government proposed to fill that deficit in certain ways including the present sugar duty. They also proposed to give assistance to Bengal but could not do so unless they further fortified their position. They proposed to fortify their revenues by the imposition of the match excise duty. Of course, if we had lost the sugar excise but not the match excise, we should equally not have been able to assist Bengal. The assistance to Bengal depends to this extent on the match excise duty, that had it not been for the necessity of assisting Bengal, the match excise duty would not have been proposed at this stage. On the other hand, I must make it clear to my Honourable friend that he is right, if he thinks, as I understand, that supposing we had not got this sugar excise duty, we should of course be short to the extent of about Rs. 1,40 lakhs and to that extent we should not be able to carry out our proposals for assisting Bengal.

**THE HONOURABLE SAHYID RAZA ALI :** If I have followed the explanation just made by the Honourable the Finance Secretary, I believe it comes to this. Here is the Government confronted with the present financial difficulties. They propose to transfer a share of a certain tax to Bengal, and unless other sources of revenue suddenly become capable of considerable expansion, of which I do not think there is any hope just at present, Government would not be able to carry out their proposals with regard to Bengal, unless this House agreed to the two Bills, namely, the Sugar (Excise Duty) Bill and the Matches (Excise Duty) Bill. If that is so, Sir, I believe I stated the position accurately. My point was that at that time the provinces that had welcomed, or at least acquiesced in, the proposals of Government, were Bengal and the United Provinces. But having regard to the turn the events have taken, it seems that while I do not grudge the good luck of Bengal and my Bengal friends in the form of this sudden gift which is going to be made to that province by the Government of India, the fact remains that the burden of that gift is to fall principally on the United Provinces and Bihar and also very largely on the Punjab. I do not think the effect of the financial proposal of the Government of India was fully realized when the budget was presented. The position, as has been made clear from the course of the debate today, is that if Government are going to carry out their financial obligations, they must have money. How is that money to be had ? There are no sources of revenue to be tapped except the sugar and match industries. The position of those provinces which are going to be hit hard is one that I am sure would enlist the sympathy of the other provinces. I do not wish to go into the history of the excise duty on sugar. It was vividly presented by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. Fortunately, I am not interested actively in the manufacture of sugar except the interest that I have as a citizen of the province from which I come. But, stated broadly, the position is this. How far is it right for Government to put an excise duty on industries which may be called infant industries ? For the time being I will confine myself to the production of sugar. It seems to me that if the financial position of Government enabled them not to put any excise duty but to continue the protection that was given to the sugar industry in 1932, that would have been a course productive of very pleasant and hopeful consequences to the industry. Unfortunately, it seems, that is not going to be.

It is no doubt open to the authorities of the provinces that are going mainly to suffer, if I may use the word, from the Government's proposals to turn round and say, " After all, we are quite prepared to help Bengal to the best of our ability, but by no means shall we undertake the full burden in order to relieve the financial stringency in Bengal ".

**THE HONOURABLE MR. SATYENDRA CHANDRA GHOSH MAULIK :** Does my Honourable friend realize that Bengal has a claim to the jute duty ?

**THE HONOURABLE SAIYID RAZA ALI :** I am told that Bengal has a claim. If that claim comes before this Council this House would be in a position to express an opinion on the merits. As it is, no tangible proposition has been put forward in the shape suggested by my Honourable friend.

**THE HONOURABLE MR. HOSSAIN IMAM :** This matter came before the House twice in connection with the consideration of the Round Table Conference discussion, and this was a basic point in the structure suggested by the third Round Table Conference.

**THE HONOURABLE SAIYID RAZA ALI :** I do not know what happened. Anyway I do not want to digress from the point which I was pursuing except to say that if the claim of Bengal in respect of the jute duty were allowed, various claims would come up from various provinces which it would be exceedingly difficult for Government to resist. I could cite a number of instances but I do not think it is necessary for the purposes of this debate. I hope I have not unnerved my Honourable friend from Bengal ? My position is that if we can legitimately help Bengal without incurring very heavy financial liabilities this House ought to do so. But it appears from certain figures put up in the course of the debate that there is a danger of the sugar industry being very hard hit if the Government's proposals are accepted. On the other hand, it is true, I must admit, that sugar factories have made decent profits during late years. My Honourable friend Sir Nasarvanji Choksy referred to a certain prospectus. I do not think it is necessary to illustrate my point to examine too closely the wording of that prospectus. I believe the prospectus was no more than a sort of puffing which is very often indulged in by those who start a new factory. But if profits in recent years really had been between 20 and 30 per cent., one would expect to find half of those who have any spare money in India starting sugar factories. No doubt sugar factories have made decent profits in recent years. The question at the same time is as to how Government's proposals are going to affect those factories in the future. The position is an extremely difficult one and I believe, perhaps, on the whole, the best thing would be for this House to play the role of optimists. We hope that, though the sugar industry is going to be affected and going to be affected to an appreciable degree, it will not be so hard hit as to lose the ground which it has made during recent years.

In passing I may say a few words about those who are engaged in the manufacture of what is known in the Bill as *khandsari* sugar. It is common knowledge that the process adopted by *khandsaris* for the manufacture of sugar is a very coarse and ancient process. My Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra referred to the manufacture of white sugar in ancient times in India. I for

[Saiyid Raza Ali.]

one should not be in the least surprised if the process adopted by *khandsaris* for producing sugar should be the same as used to obtain in India 3,000 years and more ago. That no doubt is a great handicap and that leads to the wastage of a large amount of material and energy. The result consequently is that the *khandsari* is not in a position to get the same output out of sugar-cane juice as those who manufacture sugar by modern processes in a sugar factory. Now, having regard to the two processes and to the want of efficiency and other dilatory and wasteful processes adopted by *khandsaris* and comparing that want of efficiency with the efficiency displayed by the managers and owners of the modern factories, to me it seems that the difference in duty that is incorporated in clause 3 of the Bill really is less than it should be. It is contemplated in the Bill that *khandsaris* should pay a duty of ten annas per cwt. as against a duty of Rs. 1-5-0 per cwt. paid by factory owners. The difference between the two scales of duty is no doubt considerable. But, Sir, I take the view that ten annas is an excessive sum for *khandsaris* to pay having regard to the conditions under which they manufacture sugar. I think if factory sugar has to pay Rs. 1-5-0 per cwt., proportionately we can not expect the *khandsari* to pay more than something between seven and eight annas a cwt. on the sugar manufactured by him. It is also sometimes taken for granted that the *khandsari* venture, which is a sort of cottage industry in the process of manufacture of sugar, deserves no help either from Government or from the country. That is an illusion which should be dispelled at once. After all, as has been pointed out—I think by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra—the *khandsaris* themselves are agriculturists who supplement their agricultural efforts by setting up a sort of sugar business. That no doubt is the position in the United Provinces, especially in the western districts of the United Provinces, which are the home of this industry. The process, as I remarked, is a very ancient one but the advantage of the system is that it does not require a very large sum of money for the starting of operations. The process is a very simple one. They use open pans instead of vacuum pans and no technical skill of a high order is required. Usually a *khandsari* is not a rich man and generally he is a middle class man and he invests something between Rs. 4,000 and Rs. 10,000, sometimes, perhaps, a little more, in the business. He supplies a great need; he supplies a real need, because there are many people who would not touch the sugar that is turned out by a factory. If the principle of supply and demand is taken into account, the *khandsari* supplies a real need. On the other hand, he is a middle class man with a small capital and if want of sympathy is shown to these small industrialists—they hardly deserve that grandiloquent name though—the result will be that a very large number of men would be thrown out of employment. Therefore I submit, whether now or in future legislation, every care should be taken to see that this class of people is treated with sympathy and not subjected to exactly the same amount of burden which is put on factory owners. It is very encouraging, Sir, that the Government of the United Provinces—I take it at the instance of the Government of India—have decided to hold an inquiry into the whole system of manufacture of *khandsari* sugar. I hope the enquiry will be completed soon and the results will be such as to enable the Government to give material help to this class of people.

There is just one more point, Sir, on which I think I should say a word or two. The bringing of factory sugar from Indian States to British India is allowed on payment of a duty equivalent to that which is paid in the form of excise duty. Now, having regard to the fact that the boundary line between British India and a very large number of Indian States is at times only imaginary, the two territories are interspersed and that it is easy to remove from one territory into another, my fear is that it would be extremely difficult to enforce the payment of this duty. Efforts would be made by persons interested in sugar manufacture in Indian States to bring it secretly, without payment of duty, into British India. I hope that would not happen on a large scale, but if that did happen, that would affect the manufacturer of this commodity in British India very adversely indeed. Now, Sir, the provisions of clause 6 of the Bill vividly remind one of the urgent necessity of having a Federal Legislature at as early a date as possible. If, instead of being a House whose function it is to legislate solely for British India, if, instead of this House there had been a Federal Legislature, it would have been competent to devise means which would work as effectively in the Indian States as in British India. I hope that the best course to adopt, as has been pointed out in the statement of objects and reasons, is to persuade the rulers of those States where sugar is manufactured by factories to levy the same scale of duty on sugar produced there as the duty which is leviable on that commodity in British India. That, I believe, would be more satisfactory than a provision allowing the bringing of sugar from Indian States into British India. Having regard to the great importance of the measure which is before the House, I thought it necessary to put one or two considerations, with regard to one of which at least there is a great element of doubt in my mind, before this House.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan) : Sir, I am not a protectionist by choice, but necessity has sometimes compelled me to support protective measures. As is known to this House, I have more often criticized than admired the policy of protection, and as such if I rise now to say a few words in support of the industry, it should be understood that there must be some compelling causes which have made me do so. Sir, while I agree with the Government that their disappearing source of income from import duty makes out a case for them to find another source to get money, I do not see how they can say that they can impose an excise duty irrespective of the fact whether the measure of protection promised is being given or not. Although on paper they have a good case to state, that they are giving the measure of protection as promised by the Tariff Board, but if we analyse all the facts we are compelled to admit that the passing of four years has brought about certain new points which were never considered by the Tariff Board. Another thing to which I wish especially to draw the attention of the Government is that protection to an industry is tantamount to giving help from the State and as such I have always held that it should justify Government's interference in the management and other matters connected with that industry. I very much regret that when this Bill was introduced the Government in its wisdom did not think it proper to refer it to a Joint Select Committee. We would then have been able to know much more about the Government point of view than we have been able to find from the introductory speech of the Honourable the Finance Secretary. Sir, when the Government gave protection, although the protect-



[Mr. Hossain Imam.]

ing Act was passed in the Delhi session of 1932, but in counting the period the Government took one year before that date—1931-32—although no protection Bill was passed then it was counted in the 15-year period which was asked for by the Tariff Board. That, Sir, is an argument which cuts both ways. The Government by accepting the first year as a protected period laid themselves open to the charge that they have not carried out their promise. It will be remembered that in 1931 in the second Finance Bill we increased the duty to Rs. 9-1-0 per cwt. before we passed this Tariff Act and a reasonable supposition from that which the industry could draw was that this duty would continue in effect as long as the surcharge was not withdrawn from other commodities. I admit, Sir, that Sir George Schuster in introducing his 1933-34 budget did utter a word of warning, but that warning was not explicit. What is the result of this more than sufficient protection as the Honourable the Finance Secretary regards it? The effect was that we had within a short period of two years so many factories started that we were able to supply India with nearly 80 per cent. of its requirement of white sugar. That, Sir, is a good thing because it involves the retention of money inside the country. But it has not been an unmixed blessing. Growers of rice had to suffer. Java, which was formerly a consumer of considerable quantities of Indian rice, is now out of the market and there has been a material reduction, almost half, in the amount of rice which we export to Java. The Bill which the Honourable Member has introduced imposes an excise duty of Rs. 1-5-0 per cwt. and the margin for the protective duty which was asked by the Tariff Board was the same. But at the same time when the Tariff Board made the inquiry, as my Honourable colleague from Bihar has pointed out, the income-tax was not at the figure at which it is now. The machineries were not subjected to import duty. All these factors, Sir, have materially altered the basis of the protection and reduced the margin left over for the industry. Add to this, Sir, the fact which is admitted on all sides, that molasses do not fetch a high price. If you take into consideration the fact that ten annas was debited from the cost price of the sugar as a recovery from molasses, that entitles it to higher protection than has been promised. In this connection, Sir, I would have liked the Government in the Commerce Department to build more tanks for the conveyance of molasses from factories. I am told, Sir, that there are very few tanks for conveying molasses. The result is that it is almost impossible to transport it at economic rates. If the Government wants to impose this duty and if they want to see that the industry which they have protected remains under protection, it is their duty to increase the stability of the industry. In that connection, Sir, I should like to draw the attention of the House to the fact that the prosperity of this industry is dependent on the good quality of the sugar-cane that can be produced. The Tariff Board had recommended, Sir, that Government should spend something like Rs. 10 lakhs on agricultural research work. Government has been doing something, we admit. But that something is not sufficient. If we improve the variety and the productivity of the soil, we will be able to cheapen the product which is accountable for the cost of sugar. The fact that the internal competition has brought down the price to such a low level is, from the consumer's point of view, a thing greatly in favour of the industry. But, Sir, I am afraid the imposition of this excise duty has affected the consumer. As far as I have been able to

study, Sir, the announcement that the excise duty will be imposed has caused the price of duty-paid sugar to rise by about twelve annas a maund. This means that the burden which the Finance Department regarded as falling on the industry has been shifted from the industry to the consumer—

THE HONOURABLE SAIYID RAZA ALI : It always does.

THE HONOURABLE MR. HOSSAIN IMAM — and it is we, Sir, who in the end will have to foot the bill. I therefore think, Sir, that this excise duty was not well founded because it has become a shifting tax. We, Sir, would like the Government to watch the growth of this industry and if necessary to pass legislation stopping further uneconomic expansion of the industry. In provinces like Bihar and the United Provinces there are too many sugar factories for them to be economically run. We ought to have some power vested in the Government to stop the starting of further factories in those areas. The Government may very well permit the establishment of factories in areas which are not covered and where there is a genuine demand. The industry has laid a claim, Sir, to some reduction in freight on long distances. That is a point, Sir, which ought to be seriously considered by the Commerce Department. They may even increase the freight on smaller distances and reduce it on longer distances so that the price of sugar may become more stabilized and the difference which now exists between places near the factory and distant from the factory may disappear.

Then, Sir, Government would be well advised to consider whether it would not be advisable to have a sort of zone arrangement whereby the products of certain factories could be earmarked for consumption in certain centres. That, Sir, I know will be characterized as interference with the liberty of the trade, but when we are dealing with such a hugely supported industry which is costing us so much, it is essential that it should be organized somewhat in the manner in which the N. R. A. is doing in America. I believe, Sir, that the industry has been ill-advised to start a propaganda against *khandsari*. This is a wrong policy—that in order to save our skins we should try to have somebody else offered as a sacrifice. From the speech which the Honourable the Finance Member gave in another place we have reason to believe that probably he had not considered *khandsari* as coming under the purview of this Bill, or if he considered it at all, he did so to so small an extent that when the suggestion was made to him for the first time, he welcomed it as something which could be looked into from the point of view of the Government. I welcome, Sir, the news that the Government have now reduced it by half, although I would have much preferred that it should be left free rather than that it should be taxed half as much as other sugars, because the way in which they manufacture makes it impossible for them to get the same extraction of sugar as the mill industry do. Sir, in this connection, I welcome especially clause 6 of the Bill which empowers the Governor General to impose an excise duty on sugar coming from the States of India—

THE HONOURABLE SAIYID RAZA ALI : Customs duty ?

THE HONOURABLE MR. HOSSAIN IMAM : It is not customs duty. It is excise duty of Rs. 1-5-0. Sir, the Government of India entered into contracts with the Indian States at times when the position was quite different from what it is now. I know of the instance of one State, Sir, where in place

[Mr. Hossain Imam.]

of a payment of Rs. 7,000 per annum they are now giving to that State Rs. 50 lakhs. It is a welcome sign that they are denouncing those treaties without saying so in so many words. I would like to make a suggestion to the Honourable the Finance Secretary about clauses 10 and 11 in which the rule-making power has been given to the Governor General in Council. I do not wish to bring forward any amendment, but I wish to have his assurance that when these rules are made, they will be laid on the table and made available to the Members of the House so that we may discuss those rules, because it is mostly on the rules that the whole carrying out of this business will depend, and therefore, Sir, we wish to have the opportunity of discussing them. This is all I have to say.

THE HONOURABLE SIR DAVID DEVADOSS (Nominated : Indian Christians): Sir, I am really thankful that the Government have seen their way to exempt palmyra sugar from the operation of clause 3. This is a very important point and I wish to say a few words on it. There was a time in the early eighties, when I knew of one district in the Madras Presidency--the Tinnevely district--which exported raw palmyra sugar to England to the extent of Rs. 40 lakhs a year. Within a few years, that is, about 1885 or 1886, bounty-fed sugar from Germany was sent to England, and as England was a free trader, the sugar industry in England was practically killed and by 1890 not a single pound of jaggery was exported to England, not only from the Tinnevely district but also from South Travancore, Godavery, Madura, and other districts from which considerable quantities of raw sugar manufactured from palmyra juice used to be exported.

Sir, it is a very difficult industry indeed. As Honourable Members may not know about the way in which palmyra sugar is manufactured, you will perhaps allow me to say a few words. Sir, palmyra grows to a height of 60—80 feet and the juice is drawn by tapping the flower and tying a pot to it. This is done by only one class of people in the South and they climb the tree, not by a ladder, not by any kind of mechanical contrivance, but by putting the arm round the stem of the tree and going up, that is to say, by contracting the body and then expanding it, just as a worm does. A man can climb only about 30 trees in a day and the juice is collected in pots, and the pots in order to prevent fermentation are smeared with quicklime and the juice is afterwards collected and boiled and raw sugar is made. This involves a considerable amount of labour and fuel in order to convert the juice into raw sugar or jaggery. Since export to England has ceased, this sugar is bought today by some sugar refining companies who manufacture white sugar from palmyra jaggery. In the circumstances, the palmyra sugar cannot bear any excise duty if it has to live at all. I may say that a large number of people depend upon the palmyra industry for their sustenance and I am therefore thankful to the Government for exempting it from the excise duty.

I have only one other observation to make on this Bill, which I wholeheartedly support, and that is the penalty for violation of the rules. In clause 8 you will find that imprisonment is provided for breaches of some of the rules. My objection is this. When you provide very drastic punishment, the object is defeated in some cases for, when a well-to-do man is sought to be

prosecuted, he does his very best to get out of the prosecution and he takes every means in his power not to be convicted. The result is that even courts are averse to punish well-to-do people with any term of imprisonment and even if magistrates impose imprisonment, the appellate courts as a rule let him off with the amount of imprisonment already suffered and impose a fine. My point is this. When you impose such a punishment the object of the Bill is defeated. Here is a man who tries to cheat Government in order to make a few rupees. The proper punishment for that would be to fine him heavily, and if this suggestion is adopted, I think the provisions of this Bill would be properly carried out. In this connection I am reminded of what John D. Mayne wrote years ago in his Commentary on the Penal Code. He said that if the provisions of the Penal Code were strictly put into operation, one-third of the population of India would pass through the jails every other year. Sir, he wrote this, I believe, somewhere about the sixties, as soon as the Penal Code of 1860 was passed. It is more than 70 years ago. Considering the number of offences for which imprisonment is provided by the enactments now in force, I think the number is very, very great. I will simply remind the Government that there is no use in providing such drastic punishments when milder measures would be able to meet the ends of justice as well as the objects in view. Sir, we all know that even in the early part of the last century the death sentence was the only sentence for about 150 offences till Bentham arose and exposed the whole thing. The fear of the death sentence did not stop people from committing forgery and other offences for which the death sentence was the only penalty. But what did the courts and juries do? They always tried to get out of the letter of the law by some means or other. My object is not to say that there should not be sufficient punishment for an offence, but I would ask the Government, especially in cases of this kind, in fiscal enactments intended for raising revenue, to provide as much as possible for fines so that the Act may be properly worked.

With this suggestion, Sir, I have much pleasure in supporting the Bill.

THE HONOURABLE SIR ALAN PARSONS: Sir, I might perhaps deal first, lest it should escape my memory, with the remarks which have just fallen from Sir David Devadoss about the penalties in clause 8.

I entirely agree with him that too heavy penalties, if they have to be imposed compulsorily, defeat their purpose. But under clause 8 there may be all sorts of different offences, ranging from the case of a person who attempts to evade the payment of a few rupees of revenue or who possibly fails to supply certain information to the case of a man who consistently attempts to avoid payment of revenue or consistently supplies false information. Now, in the first class of cases I think it is quite obvious that a very small fine will suffice. In the case of repeated offences of a more grave nature where a fine of Rs. 2,000 has not proved to be sufficient I think imprisonment is all that you can have resort to, and in a section like this it seems to be necessary to provide both for imprisonment and fine. I do not think there is any danger that in imposing a sentence under this section magistrates will not use their discretion properly. I will however bring the point to the notice of the Central Board of Revenue, and possibly they might issue instructions to their revenue officers not to press for imprisonment except in really grave cases. That probably will meet my Honourable friend.

[Sir Alan Parsons.]

Of the criticisms which this Bill has met, Sir, I will first deal with one which did not I think find very much support, that by this imposition of the excise duty at the rate of Rs. 1-5-0 we should be destroying the margin of protection promised to the indigenous sugar industry by Government and the Legislature on the recommendation of the Tariff Board. That is a criticism derived I think mainly from certain passages attached to a note on the Select Committee's report, and, as I understand it, the argument is as follows. Admittedly when the Tariff Board recommended that there should be a protective duty of Rs. 7-4-0 or, in present conditions, of Rs. 7-12-0 per cwt. of imported sugar, and when the actual rate of import duty is Rs. 9-1-0, there is a margin of Rs. 1-5-0 which could be taken as an excise, and Government is mathematically correct. But in present conditions, so the argument I understand runs, there is no parity between the price of imported sugar at the ports and the price of Indian sugar, and for that reason some lower figure than Rs. 1-5-0 per cwt. should be taken. Now, with all respect to the Honourable Members who have advanced this argument here and the gentleman who put it forward on the Select Committee, I think it reveals some rather loose thinking. On the facts, so far as my information goes, I think there is a parity of price for sugar of equal quality in Calcutta, at any rate something very near parity. Upcountry, so far again as my information goes, the intenseness of internal competition is really the ruling factor in the price, and the price there cannot be said, at any rate to anything like the same extent, to be based on the price of imported Java sugar. But the intenseness of internal competition has had the effect of reducing the internal price of sugar upcountry, and to that extent, so far from lessening the margin of protection against Java sugar, has made it more difficult for Java sugar to compete. Therefore, the fact that owing to the internal competition there has been a fall of price of Indian sugar internally is no reason for holding that the measure of protection left after this excise has been imposed is less than the measure of protection which the Tariff Board recommended and the Legislature granted. I may say actually that in discussions, and it is well known that I have had a good many discussions myself, with the representatives of the sugar manufacturers, they have not put forward, as far as I can recollect, any suggestion that the measure of protection has been lessened; and in any case if they had any argument to that effect I would suggest that it is a matter on which it is for them to apply for a further investigation by the Tariff Board. That actually, if I may say so, would be the answer which I would give to certain other remarks of my Honourable friend Mr. Hossain Imam when he pointed out that in the four years since the Tariff Board reported conditions have changed very largely. It is true that they have changed. But in this House mention has I think only been made of those changes in the conditions which have been adverse to the Indian manufacturer and not of those which have been in his favour. I refer particularly to the argument from the fact that molasses now commands practically no market and no price, and I think my Honourable friend has referred to the fact that there is now a higher duty on imported machinery.

This brings me to my second point. If I have carried the House with me on the first that we shall in no way impair by this duty the protection given to the sugar industry, then the question arises, with the fall in price which intense

internal competition has caused can we impose an excise duty of Rs. 1-5-0 and still leave the efficient sugar manufacturer with a reasonable profit. Here I would refer to certain figures given by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. He quoted those from the Tariff Board report, which worked up to a total cost of production in the earlier stage of protection of Rs. 8-3-3 per maund. Now, for the purposes of this Bill, or actually for the purpose of determining their own proposals, the Government had similar figures worked out altered as far as their information went in accordance with present day conditions. For example, instead of the ten annas eight pies taken by the Tariff Board as the price of molasses, they took nil as the price of molasses. They allowed in these figures for changes in the cost of labour, rates of interest on working capital and so on. I do not propose to weary the House with all the details because if they were to follow me they would have to be quicker at mental arithmetic than I am myself. But the result is this, that leaving aside the cost of cane or other raw material used in the manufacture of sugar, the cost of production in the initial stage of protection according to the Tariff Board's calculations was Rs. 2-10-5, and on our revised figure it is Rs. 2-11-0, a difference of seven pies. That is to say, savings in other respects have covered the loss arising from the fact that practically there is no market for molasses. Government of course did not suggest the imposition of this duty without seeing that it would not irremediably injure an industry which they wish to foster and which they had done their best to protect. They also examined carefully what the present price of sugar is, in addition to the figures as far as they could get them of the cost of production, to see whether with this duty the manufacturer of an efficiently run concern would be able to pay the duty and would also be able to earn for his shareholders a reasonable profit; and the conclusion they reached before the reaction on the price of sugar occurred after the announcement of the duty was that he could certainly do so. Even based on the figures of fair cost of production estimated by the Tariff Board but corrected to present-day conditions—I may say that we consider them now too high—according to our calculation it is possible for a factory which produces 50 per cent. of first and 50 per cent. of second quality sugar—the better managed concerns make up to 80 or 85 per cent. of the first and 15 or 20 per cent. of the second—the efficient manufacturer could pay five and a half annas a maund for cane and still earn ten per cent. dividend and have, I think, about three per cent. over. If they pay six annas a maund for cane, they could earn about an eight and a half per cent. dividend. Honourable Members must realize that these are estimates, but they are estimates made on the best information available. When I add to that that since this duty was announced according to our information the price of sugar has risen not perhaps as high as my Honourable friend Mr. Hossain Imam stated, but the figure I was given was six to seven annas a maund, then there is no doubt whatsoever that the efficient factory can pay this duty and can still earn quite a reasonable profit—ten per cent.—for its shareholders. On those grounds I suggest that this proposal is fully justified.

The next argument that I would like to turn to is the one which was very ably advanced in his short speech by my Honourable friend Sardar Buta Singh and in a somewhat different form by my Honourable friend Nawab Malik

[Sir Alan Parsons.]

Mohammad Hayat Khan Noon—namely, the argument that the Bill is premature. Neither of them objected to the imposition of a sugar excise duty at the right time. But the Honourable Sardar thought that if we left the industry alone for a little longer time it would be able to sell its sugar cheaper and the consumption of refined sugar in India would increase and then if we did impose the duty we could expect a bigger yield from it. That I think is a reasonable argument. The Honourable Nawab Malik Mohammad Hayat Khan Noon took, I am afraid, a more gloomy view. He suggested that in the province from which both he and I come the factories had not yet had time to start properly and that by the imposition of this duty not one of them would be able to pay anything to the shareholders. I would like to say this with regard to new factories. That argument to a certain extent is based on the assumption that a new concern must necessarily expect to earn profits from the start—if I were myself a shareholder in a new concern I should not expect to do so. My general experience is that you have to wait for two or three years before you can from a new business expect to get any return at all. Again, my information with regard to a great many of the new factories is this, that they have a very considerable advantage over the old factories, in that their machinery is more up to date and that if they have installed that machinery in time and do not attempt to begin to work it at the exact time when the new crop is coming to hand, if they experiment for six weeks or so before they start their real production, they are in a very good position to earn profits from the very beginning and in a better position than a great many factories who even though they have put aside sufficient for depreciation have not installed the latest machinery. That is only one side of the argument with regard to new factories. In regard to the infant industry argument, I should like to say that I do not entirely disagree with my Honourable friend Sardar Buta Singh in what he would like to see—a cheapening of the price of refined sugar in India and a growth in consumption, with advantage both to Government revenues, to the factories, and to the cultivators of cane. The question really is whether we are not right in stepping in at this stage. When I met the representatives of the Sugar Manufacturers' Association this infant industry argument was put to me very much in the same terms as by some Honourable Members in this House. They said, like Rai Bahadur Lala Ram Saran Das, "Here is an infant industry. You have been feeding it for two years. It is your own baby and now you are going to take away its milk". I have thought about that argument. Like many other Honourable Members here, I have got some small children of my own. I thought about their infantile ailments and I recollected that those ailments came generally in two ways, first, from under-feeding, and, secondly—and equally important—from over-feeding, and the case which I put before Honourable Members is this, that that surcharge of 25 per cent. on the customs duty amounted to over-feeding of this infant industry, so that it is growing too fat and that it is now the time to stop that growth lest it should become unhealthy. Though I admit that it will be desirable for everybody concerned to get a reduction in the price of refined sugar, an increase in factory production, and an increase in our receipts, if we do not give this industry this small jolt now, I feel convinced that in a year or two we should find it necessary to give it a much more severe jolt from which it would find it more difficult to

recover. That is my reply to the argument that we should not take this step at this time and I hope it will be a sufficiently convincing argument to my Honourable freinds.

I do not know that I have much more to say on this point except to refer to the argument of my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. His argument, as I take it, was that we were not here concerned with an infant industry at all. On the contrary, India was the pioneer; this was a very old established industry, in fact the oldest sugar industry in the world. My only reply to that is that in that case what we are doing is not so much lessening the protection given to an infant as removing a certain amount of dope given to an old man!

I am sorry if I did not make myself sufficiently clear in my explanatory remarks in relation to the amount of money which we were going to get from this duty. I tried then to point out that our estimates could not possibly depend on the productive capacity of the factories. They must depend upon what sugar people in India are going to buy and if our estimates of consumption which I then gave for refined sugar of 700,000 tons are correct, and if our estimates of the quantity of imported sugar, namely, about 110,000 tons are also correct, then we could not conceivably expect to get more than Rs. 1,47 lakhs from this excise next year. The contrary arguments are based merely on the note by certain members of the Select Committee to which I have already referred. But, if I may say so, that note seems to me to err in two ways. Firstly, so far as I have been able to follow the figures, it does not take count of the fact that we shall only get 11/12ths of a year's duty next year. Secondly, it assumes that because in the opinion of the authors of that note the productive capacity of Indian factories next year will be 750,000 tons, therefore they will be able to sell 750,000 tons next year from their factories, an assumption which I entirely challenge.

I will just refer in passing to my Honourable friend Mr. Jalan's suggestion that we should in place of this duty put four annas on the salt tax. We must keep something in reserve for another rainy day. At the same time, I cannot entirely agree with him that the sugar excise will to the same extent as the salt tax fall on the poorest class. I think that actually so far as it is found possible for the manufacturers to pass on the tax—and they may not find it possible to do so entirely because of competition among themselves—it will fall most probably on the lower middle classes who at present use partly refined sugar and partly *gur* and other sweetening material. These are the people on whom, if it falls on the consumer at all, the imposition is likely to fall.

Mr. Padshah mentioned the factories which have been damaged by the earthquake in Bihar. I need only repeat the assurance given by Sir George Schuster in another place that we will consider any representations made through the Provincial Government to us by these factories and in my own opinion the main ground on which a concession would be justified is that before the earthquake they had produced a large quantity of sugar and owing to the breakdown of communications they were not able to get rid of that quantity before the excise became leviable as they ordinarily would have done.



[Sir Alan Parsons.]

Lastly, Sir, I would like to mention the case of *khandsari* which was put before the House by the Honourable Saiyid Raza Ali. The position there is this. As was I think made quite clear by the Honourable the Finance Member in the Legislative Assembly and was certainly made quite clear by me in my remarks in this House when introducing the budget—for I have just been able to refer to the passage—our original proposals were intended to catch *khandsari* as much as refined sugar and to put upon it a duty of Rs. 1-5-0 per cwt. The remark I made was that we proposed to impose an excise duty of Rs. 1-5-0 per cwt. on all issues after the 1st of April on every class of sugar including *khandsari* from factories coming under the Indian Factories Act. Our reasons for that proposal were briefly as follows. There is no doubt whatever that *khandsari* sugar does compete with certain factory-made sugars, and we did not see that there was sufficient ground for treating *khandsari* differently. We also did not hold that there was any particular ground of policy for doing so because admittedly the production of *khandsari* is a wasteful method of using cane. The extraction from cane by the *khandsari* method is I think about five per cent. as compared with nine per cent. for factory sugar and it was therefore on general grounds not particularly desirable to encourage *khandsari* as against factory sugar. On the other hand, there is no doubt that *khandsari* commands a lower price and that therefore it would not be so easily able to bear the excise of Rs. 1-5-0. There is also the fact that, though they recommended no special concession for *khandsari*, the Tariff Board did point out that the *khandsari* system of manufacture is of importance in the transitional stage of the industry since it can be undertaken in tracts where, either owing to the absence of communications or the scattered nature of cane areas, manufacture in central factories is at present impossible. It appears therefore that an effort should be made to support the *khandsari* system, both as holding an important position in the agricultural system of the United Provinces and as constituting a means of dealing with the surplus cane which may be produced in the next few years. When therefore in the Select Committee the case of *khandsari* was raised, Government came to the conclusion that they would not resist a proposal to tax *khandsari* at about half the rate of refined sugar and that by adopting that rate they would be doing fairly even justice between the two contesting parties. And to that position, Sir, I must adhere in this House. It will not be possible therefore for me to accept any proposal for revising the rate, as the Honourable Saiyid Raza Ali suggested. Nor, on the other hand, can I accept proposals which would worsen the position of *khandsari* such as, for instance, the amendment on the paper that we should alter the definition of factories to include concerns which have 15 men or more instead of 20 men or more working in them. The effect of that of course would be to bring in more *khandsari* firms; and it would, in my opinion, be particularly dangerous, for we might then be attacking the real cottage industry *khandsari* which it has been our object throughout in the Bill to exclude.

THE HONOURABLE THE PRESIDENT: The Question is :

“That the Bill to provide for the imposition and collection of an excise duty on sugar, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: We will now proceed to the consideration of clauses. Clause 2.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): I do not want to move my amendment, Sir.

THE HONOURABLE THE PRESIDENT: The Question is:

“That clause 2 stand part of the Bill.”

The Motion was adopted.

Clause 2 was added to the Bill.

THE HONOURABLE THE PRESIDENT: Clause 3.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir, I beg to move:

“That in sub-clause (1) of clause 3, for the word ‘April’ the word ‘August’ be substituted.”

Sir, the object of the amendment is nothing but to postpone the period of the duty from 1st April to 1st August and let the factories have this full season without the excise duty. As it is now public property and references were made to it in the other House that a compromise was going to be effected between the Government and the members of the Select Committee by which Government was agreeable to extend the period from 1st April to 1st August

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THE HONOURABLE SIR ALAN PARSONS: Sir, may I immediately correct the misapprehension of my Honourable friend? No such compromise as I can say from my own knowledge was made or was suggested in the Select Committee.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: It was made out in the speeches in the Assembly and I have read in the papers —

THE HONOURABLE THE PRESIDENT: Order, order. The Government is not responsible for speeches that are made in the Assembly.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: I admit that Government is not responsible but that is what we learned from the speeches. As no Member of this House was on the Select Committee, we cannot say what actually happened. Our information comes from Members of the other House who were on the Select Committee. The terms were perhaps that if Members agreed to Rs. 1-5-0 duty, Government would prefer to get it levied from the 1st August. Sir, we all know that as many as 70 factories have been established this year out of the total number of 135 and, as I said, these factories in the first year take a lot of time in erection as well as in completion. As most of them have started from the 1st of January and some of them in February, and a few of them in March, they are trying to get as much time as possible at the end of the season, that is, they want to continue up to April and May. The old factories which commenced crushing from the 1st of November made profits without the duty and most of them have closed down. But these new factories which have run for a month or

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

two do not want to close but to get as much profit as possible by crushing more. Let us now examine the figures whether after this duty they will have any profit or not. The price of cane that the factories have to pay during these months is never less than seven annas. In some cases it goes up to eight annas also. So, for a maund of sugar, they have to pay a price of about Rs. 5-8-0 for cane. The overhead charges according to the calculations of the Tariff Board come to Rs. 2-11-0. The total comes to Rs. 8-3-0. Over this the factories will have to pay a duty of Re. 0-15-4. So it comes to about Rs. 9-2-4. The present price of sugar is Rs. 8-12-0, but their cost goes to Rs. 9-2-4. I may say that first class sugar may fetch Rs. 9, but the second and third class qualities will not fetch more than Rs. 8-8-0. I have put the average at Rs. 8-12-0. If this duty is levied, the factories working in the months of April and May will, instead of making any profit, have to bear a loss of six to seven annas. These are the figures. Therefore, Sir, it would be very graceful on the part of the Government if after getting Rs. 1-5-0 from the other House they now come down to this minor point and have this duty from the 1st August and let these two months' duty be remitted, as I should say, to these new factories.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muham-madan) : Sir, I rise to support the amendment moved by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra. He has sufficiently expressed the case of the industry not to require any repetition from me. I rise to bring forward another point. We all know that only 10 or 12 per cent. of the cane produced in India is utilized in the mills, and the remaining 78 per cent. are used in making *gur* or jaggery. In those months when no sugar-cane is available, most of the mills start refining and convert jaggery into sugar. If we pass this Bill, the result will be that immediately the price of *gur* will come down, which will materially affect the prosperity of the agriculturist. It is for this reason that I support this amendment. Further, Sir, there is a saying in Persian,

“Ta na bashad chizake murdum na goyand chizhā”,

which means that unless there is some basis for it, a rumour does not crop up. Government are perfectly correct in saying that they did not arrive at any compromise, but in the report of the Select Committee there are two dissenting notes to which I will invite the attention of the Honourable the Finance Secretary—the note of Mr. F. E. James in which he said :

“I therefore suggest that the excise duty of Rs. 1-5-0 be imposed only as from August 1st, 1934”.

and the note of Mr. R. B. Bagla in which he said :

“I am inclined to the alternate suggestion of keeping the duty at Rs. 1-5-0 but bringing the operation of the excise duty from August 1st”.

What I infer from these is that probably there might have been a talk of coming to some compromise. But when the majority of the non-officials decided not to have a compromise and the Government, because they were defeated there, have taken revenge in not having the compromise in the House because they found that in the House itself they had better support than in the Committee. It would not be possible perhaps, at this stage, for the Finance Department to accept this amendment, because this will mean that the whole thing will become

ineffective as the Assembly is not sitting and we cannot have the Act. I will advise my Honourable friend to withdraw the amendment—(*An Honourable Member* : “ All the amendments ! ”)—but I would like to ask the Finance Department seriously to consider the proposition whether it would not be possible for them to differentiate between the sugar made from jaggery and that made from sugar-cane by reducing the excise duty on the former because it would be a material help to us and the loss would be so small—I have been told that it would involve a loss of less than Rs. 10 lakhs at the utmost—that it will not materially affect the resources of Government.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary) : I cannot give a certain reply to my Honourable friend's last suggestion to try and differentiate between sugar made from jaggery and sugar made from cane juice, but my recollection is that the Central Board of Revenue when going into this matter decided that, if not impossible, such an arrangement would be administratively extremely difficult to work. I must of course oppose this amendment not only for the reason which is in the mind of other Honourable Members and has just been mentioned by the Honourable Mr. Hossain Imam, but on two grounds. First of all it is most unprecedented not to apply a duty at this stage till three or four months after the passing of the Bill, and if we did so we should be disturbing, I think most unwarrantably, a great many contracts which have been made. As a matter of fact, I have myself received representations from sugar purchasers that if we were now to make an alteration they would be badly hit, because they have bought sugar at a higher price *cum* duty from the factories and will not be able to sell except at a lower price because owing to this alteration the price would drop. Secondly, of course the Government cannot afford to lose the revenue which would be involved by accepting the amendment. I estimate that at about Rs. 18 lakhs.

THE HONOURABLE THE PRESIDENT : The Question is :

“ That in sub-clause (1) of clause 3, for the word ‘ April ’ the word ‘ August ’ be substituted.”

The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

“ That to sub-clause (1) of clause 3, the following provisos be added, namely :

‘ Provided that the surcharge of Rs. 1-13-0 per maund shall henceforth become a countervailing import duty ;

‘ Provided further that the factory has worked for two seasons ’.”

Sir, the Honourable the Finance Secretary has just said that after this surcharge of Rs. 1-13-0, the margin between the recommendation of the Tariff Board and the present duty is just the same, that is, Rs. 1-5-0 per cwt., considering that the import duty is to be at Rs. 7-12-0. But the difference is this, that we do not know when this surcharge will be withdrawn. If it is consolidated into the import duty the factory owners and the shareholders would be at peace so far as the question of surcharge is concerned. This is hanging like the Sword of Damocles and we do not know when it will be withdrawn. If it is to be withdrawn soon the condition of the factories would be very precarious, and I am

[Rai Bahadur La'la Mathura Prasad Mehrotra.]

afraid that the large proportion of factories will have to be closed on this account alone. Therefore the Government should announce its policy so far as this surcharge is concerned and get it consolidated with the import duty at Rs. 9-1-0 as they are charging now.

As for the second proviso, I am of opinion that two seasons are necessary for the new factories to set their house in order. As I told the House, one season is practically spent in completing the erections and finding out defects in the machinery and having them removed. There are very few fortunate factories which can make any appreciable profit during the first year. In the second year they try to improve the efficiency of the machinery and meet preliminary expenses about which we have said a lot today. Therefore it is but fair that new factories should be given two seasons to put their house in order.

THE HONOURABLE SIR ALAN PARSONS: Sir, with regard to the first part of this amendment I do not quite understand what the Honourable Member means by the words "become a countervailing import duty" but I fully understand his real purpose is that the Government should give some undertaking not to remove the surcharge without due notice, at any rate, and without proper consideration and publicity. I would draw attention here to paragraph 2 of the Select Committee's report, which runs as follows:

"Although this Bill only imposes an excise duty it cannot be considered independently of the import duty on sugar, because the difference between the two does give the necessary measure of protection. We consider that it is implicit in the present proposal that the surcharge should become merged in the import duty and no longer be regarded as a temporary emergency addition, and also that if any proposals are made for the reduction of the existing rate of import duty the Legislature should be given the opportunity simultaneously to review the excise duty".

That recommendation, Sir, is accepted by Government and in view of that acceptance I trust my Honourable friend will be content to withdraw the first part of this amendment.

I am afraid I am unable to accept the proposal that new factories should for two years be exempted from the excise duty. It appears to me to be an entirely new form of bonus to young factories which would require very considerable consideration. It would be open, as I think the Honourable the Finance Member pointed out in the other House, to a lot of abuse. Some people might start factories, run them for two years, sell out to unfortunate people who have not realized the position, after earning large profits, and repeat the game until they were discovered. I do not think I need say anything more about this amendment except to refer to the remarks I have already made that a new concern can not necessarily be expected to earn profits for distribution to its shareholders in the first one or two years, and in fact I should myself say that any firm which distributes anything much in the way of dividends in its first two years, instead of putting its money into reserves and so on, should be looked upon with a good deal of suspicion.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: Sir,—

THE HONOURABLE THE PRESIDENT: You are not entitled to reply.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I beg leave to withdraw the amendment after the statement that has been made.

The amendment\* was, by leave of the Council, withdrawn.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

" That in sub-clause (2) (ii) of clause 3, the words ' and five annas ' be omitted."

The object of this amendment is to reduce the duty from Rs. 1-5-0 to Re. 1 as recommended by the majority report of the Select Committee. Sir, we have talked a lot about the merits of this Motion and it is not for me now to advance more arguments on the point. We are of opinion that the calculations of the Government about the production of sugar are not very correct and the duty which they would get at the rate of Rs. 1-5-0 will not be Rs. 1,47 lakhs but it will be Rs. 2,36,00,500, as put down by the Select Committee. They say at page 4 :

" The Finance Member estimated that he will get Rs. 1,47,00,000 by the imposition of this excise duty at Rs. 1-5-0 per cwt. We consider this an under-estimate. Owing to the growth of new factories and large quantities of sugar bound to be manufactured in the current year, we estimate that at least 750,000 tons of sugar will be produced as against the Government estimate of 646,000 tons. Moreover as the Government estimate did not include the *khandsari* sugar which amounts to nearly 250,000 tons and of which at least 60 per cent. is produced by the factories, the total amount of revenue at Rs. 1-5-0 per cwt. would come to Rs. 2,36,25,000.

Sir, we are at one with this recommendation of the Select Committee. Factories which could not work fully in the season will get a full season next year and they will produce more sugar than is expected at their present capacity. Besides, Government is not aware whether any existing factory is going to extend its plant and must have calculated at the present capacity of these factories.

THE HONOURABLE SIR ALAN PARSONS : No, Sir.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I know that a large number of factories are going to extend their plant and in the next year their capacity will be doubled and they will produce more sugar. Therefore the duty that will result from this Bill will be much more. The Government should not impose more duty than they require. There is another point. The calculation of the Government for the import of sugar so far as the present year is concerned is also less, because a large number of factories have been demolished in Bihar and also on account of an insect in sugar-cane in the Meerut division of the United Provinces a large number of factories, or almost all the factories have had to close down before time. Some of the factories were closed in the first week of March, some in the second and almost all the factories were closed during the month of March while I think the calculation of the Government must be till the end of April at any rate. Therefore the result will be that from April, 1934 to November the country will require much more sugar than is expected and hence Java and other countries will import more sugar. Therefore the Government will get more revenue on account of import duty and the income of the Government

\* Vide page 895, ante.

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

will be much more from that side also. For these reasons I have moved this amendment and hope the House will agree to it.

THE HONOURABLE SIR ALAN PARSONS : Sir, I am afraid I despair of convincing my Honourable friend that our estimates of receipt from the duty do not depend on the productive capacity of the factories, but on what the factories can sell. I do not think I need enter into the figures again. I attempted at any rate to go into them in some detail, both in my initial remarks on the consideration stage and to a certain extent at the close of the consideration stage. The amendment, if passed, would cost us Rs. 35 lakhs which we cannot afford to lose and I am afraid therefore, Sir, I must oppose it.

THE HONOURABLE MR. HOSSAIN IMAM : On a point of information, Sir. May I ask the Honourable the Finance Secretary to tell us whether if he realizes more than Rs. 1½ crores there will be any prospect in future of a reduction in the excise duty ?

THE HONOURABLE SIR ALAN PARSONS : The extent to which it is advisable for a person in my position to answer such a hypothetical question is, I think, dubious. I am, however, prepared to give him a certain reply. If when this tax is imposed we get more from it, or if we get more from any other tax, provided the effect of getting more from taxes is that our total revenue from all taxation is greater, then there will be a margin available possibly for further expenditure on Government purposes or possibly for the reduction of taxation. Assuming that it is devoted to a reduction of taxation, what form that reduction of taxation would take, whether it would be, for instance, a reduction in super-tax or whether it would be a reduction in the salt duty, naturally depends, I imagine, on the decision of the Government of the day and the extent to which their proposals are acceptable to the Legislature.

THE HONOURABLE THE PRESIDENT (to the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra) : Do you press your amendment ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I want to put a question. The reply of my Honourable friend is not explicit enough.

THE HONOURABLE THE PRESIDENT : Please put your question to the Chair.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : If the Government gets more money out of this duty, will they bring in a Bill next year to reduce it proportionately ?

THE HONOURABLE SIR ALAN PARSONS : I can give no undertaking whatever to that effect ; I will not even make a guess ; but if I made one, it would not be at all welcome to my Honourable friend !

THE HONOURABLE THE PRESIDENT : Amendment moved :

“That in sub-clause (2)(ii) of clause 3, the words ‘ and five annas ’ be omitted.”

The Council divided :

AYES—5.

Buta Singh, The Honourable Sardar. Hossain Imam, The Honourable Mr. Jagdish Prasad, The Honourable Rai Bahadur Lala.	Mehrotra, The Honourable Rai Bahadur Lala Mathura Prasad. Ram Saran Das, The Honourable Rai Bahadur Lala.
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NOES—25.

Akbar Khan, The Honourable Major Nawab Sir Mahomed. Charanjit Singh, The Honourable Raja. Chetti, The Honourable Diwan Bahadur G. Narayanaswami. Choksy, The Honourable Khan Bahadur Dr. Sir Nasarvanji. Crosthwaite, The Honourable Mr. H.S. Devadoss, The Honourable Sir David. Fazl-i-Husain, The Honourable Khan Bahadur Mian Sir. Ghosal, The Honourable Mr. Jyotsnanath. Ghosh Maulik, The Honourable Mr. Satyendra Chandra. Glancy, The Honourable Mr. B. J. Hallett, The Honourable Mr. M. G. Mehr Shah, The Honourable Nawab Sahibzada Sir Sayad Mohamad.	Menon, The Honourable Diwan Bahadur Sir K. Ramunni. Mitchell, The Honourable Mr. D. G. Noon, The Honourable Nawab Malik Mohammad Hayat Khan. Padshah Sahib Bahadur, The Honourable Saiyed Mohamed. Parsons, The Honourable Sir Alan. Ray, The Honourable Maharaja Jagadish Nath, of Dinajpur. Raza Ali, The Honourable Saiyid. Russell, The Honourable Sir Guthrie. Souter, The Honourable Mr. C. A. Spence, The Honourable Mr. G. H. Stewart, The Honourable Mr. T. A. Ugra, The Honourable Rai Sahib Pandit Gokaran Nath. Varma, The Honourable Mr. Sidheshwari Prasad.
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The Motion was negatived.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern : Non-Muhammadan): Sir, I do not wish to move amendment No. 5 which stands in my name.

THE HONOURABLE THE PRESIDENT: The Question is :

“ That clause 3 stand part of the Bill.”

The Motion was adopted.

Clause 3 was added to the Bill.

Clauses 4 to 10 were added to the Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I beg to move :

“ That after clause 10, the following new clause be inserted and the subsequent clause be renumbered accordingly :

11. Notwithstanding anything contained in the foregoing sections of this Act, every factory registered under the Co-operative Societies Act shall not be liable to pay any duty’.”



[Rai Bahadur Lala Mathura Prasad Mehrotra.]

Sir, the case of the co-operative societies is quite different from the joint stock companies. The joint stock companies are capitalist concerns. The co-operative societies are concerns of the cane-growers and if the money is not enough they approach capitalists also. But their main function is that it should give as much benefit as possible to the cane-growers and therefore such factories should be treated on different lines. Sir, the joint stock companies have good profits and managing agents get a handsome remuneration while the co-operative societies have not. In the whole of India there are only two co-operative concerns on the vacuum pan system, one in Madras and the other in the United Provinces. Besides that, Sir, there are about four or five small co-operative concerns which come into the category of the *khandsari* system. That is, they have got a small plant, working on the open pan system, with a capital of Rs. 10,000 to Rs. 15,000 only. That is all. So, Sir, if the Government accepts this amendment, the losses in revenue will not exceed at any rate a lakh. According to my calculations it should be about Rs. 60,000 or Rs. 70,000 only, which is nothing.

With your permission, Sir, I may explain to the House on what system these factories are working. The factories have their shareholders in the cane-growers, and as such they become members of those factories. The area in which they are located is divided into a number of societies which are registered under the Co-operative Societies Act. They get advances from the Central Society, i.e., the factory, and by which they purchase their cane for seed and when the zamindar wants rent, they pay rent out of them. Then, Sir, the cane-growers are not in a hurry to supply the cane to the factories. Their position becomes very secure. They know that their cane will be purchased by their Central Society, and they therefore bring their cane as desired in a ripening condition. On the contrary, in a joint stock factory, the tenants do not know whether their cane will be bought or refused or how long they will have to wait at the gate for payment. The result is that before the cane is in a ripening condition, they bring it to the factory and get less price because they have to pay rent to their landlord and unless their cane is purchased they cannot get money. Nobody is going to give them advances. Then, Sir, in the joint stock companies, the factories weigh something more than 40 seers. I know, Sir, a large number of factories take 42 seers for a maund in cane weightment. Well, in the co-operative factories, the weightment is made at 41 seers, one seer less, and that one seer out of 41 seers is deposited into the account of that member and taken as his contribution towards shares. The tenant does not feel it because when he brings the cane, say, about 25 maunds, and if 25 seers are deducted and deposited into his account, he does not feel it at the time but at the end of the year he finds that his account has grown by hundreds of rupees.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : May I ask the Honourable gentleman whether for these 25 seers any payment is made to the zamindar or not ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : No. This goes into the savings of the tenant. The zamindar will have his rent and the rent is paid in *dadmi*.

Sir, cane is a most paying crop and, in my province, if a tenant has got one acre of cane, he can pay his dues to the zamindar for the whole year. Therefore, Sir, he has only to take advances from the co-operative concerns and out of those advances he pays to the landlord. Then, Sir, the tenants in the co-operative concern get at the end of the year something in the way of bonus, according to the quality and quantity of the cane supplied to the factory, while the cane-growers in joint stock factories have absolutely no concern. They get the price of the cane and that is all. Then, Sir, the price of cane in a co-operative concern is fixed beforehand. It is fixed that they will be paid at such-and-such a rate and it is generally 25 per cent. higher than the rate prevailing in the district.

THE HONOURABLE MR. HOSSAIN IMAM : What was the rate in your factory ?

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : Government will fix the rate in the future.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : In my district, Sir, -I am asked to state about my district -the general rate of the other factories was four annas to four and a half annas, while the co-operative concerns to which I belong have been paying about seven annas. That is the price we pay to the cane-growers. So, Sir, in all these ways, the tenant is benefitted in a co-operative concern in several ways. He regards it as his own concern and it is of course meant for his benefit. The case of joint stock companies is thus quite different from that of co-operative concerns. Sir, Government have made many concessions to the co-operative concerns, and if we ask for this little concession, I hope Government will not grudge it and, as I have said, the loss to Government will not be more than a lakh. From the speech of the Honourable the Finance Member I find that they want to set apart Rs. 7 lakhs out of Rs. 1,47 lakhs of the duty, and that these Rs. 7 lakhs will go for the benefit of the cane-growers. If Government does not see its way to exempt them, I think they must give grants to such concerns out of these Rs. 7 lakhs. Thus there will be another benefit by doing this. The object of the Government is to fix cane price. I think that is a very difficult question and it can only be solved by creating co-operative societies all over the provinces through which the cane may be supplied to the joint stock companies as well. The money is going to be spent in that direction. If the Government will make an announcement in this connection, I think that the joint stock factories will come forward to spread this organization as soon as possible in those areas. If Government will take, say, ten years, to make co-operative arrangements all over India for the supply of cane, I think that if an announcement is made they will be doing it in two or three years and numerous cane supply societies will be formed and the tenants will get a proper share out of the protection afforded by Government. At present, Sir, I admit that the tenants are not getting as much profit as they ought to get in other factories out of this protective duty. I therefore hope that this small amendment of mine, which is especially in the interests of the cane-growers, will be accepted by Government.

THE HONOURABLE SIR ALAN PARSONS : Sir, for once I have not got to dispute estimates with my Honourable friend! I admit that I know very little about these particular co-operative societies. In fact, I knew nothing

[Sir Alan Parsons.]

about them until I had the pleasure of listening to his speech. I am quite prepared to accept from him that if we accept this amendment, the loss of revenue would at present be negligible. What it would be if we had such societies all over the country I should not like to say. My reasons for not accepting this amendment are two. I do not yield to him in the desire to see the growth of the co-operative movement and so far as I have been able to follow his speech, I think the societies on whose behalf he was speaking probably fulfil a very useful purpose. But if I have followed him aright, they already get considerable assistance from Government and I am very doubtful *prima facie* whether any further assistance, for which of course a more definite case would have to be made out than my Honourable friend has made out, should take the form of remission of duty. My own impression is that it would not be a correct form to give such assistance by giving them a preference over the joint stock companies which manufacture cane. I am well aware of the difficulties which have arisen in my own country owing to the grant to certain co-operative societies of preference in relation to taxes. As a general matter of principle I should on my present information consider that the particular form of assistance he suggests is not the form which further assistance, if necessary, should take. In any case much further investigation would be required before Government could agree to assistance being given to them in this form. On the other hand, it is I think very largely a matter for the Local Governments to consider, both whether societies of this kind are doing really useful work and whether such societies require further aid from Government and, if so, what form that aid should take. I have no doubt that Local Governments, which will have a very definite interest in this matter as a result of the Bill which the Honourable Member for Education, Health and Lands is just about to introduce, will, when that Bill is passed, watch the position, and if they think assistance is required for these co-operative societies and should take the form that my Honourable friend proposes, that they will refer the question to us. I think that should satisfy him that the matter is not likely to be overlooked. I must as I said oppose the amendment but I do so with those qualifications.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I ask of the Honourable the Finance Secretary that if they make representations through the Local Governments, will he be prepared to consider their case as he is prepared to consider the case of the factories in Bihar ?

THE HONOURABLE SIR ALAN PARSONS : I am not prepared I am afraid to give any undertaking with regard to the revenue for the current year. That is all that I can say on that.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I beg leave of the House to withdraw the amendment.

The amendment\* was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT : The Question is :

“ That clause 11 stand part of the Bill.”

The Motion was adopted.

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\* Vide page 899, ante.

Clause 11 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ALAN PARSONS: Sir, I move:

"That the Bill, as passed by the Legislative Assembly, be passed."

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, at the tail end of the debate I do not wish

5 P. M.

to delay the House for long. I simply wish to place before the House the difference between the way in which two departments of the Government of India treat the industries of India. I refer to the action which the Commerce Department has taken in connection with another protected industry, the textile industry, in which the conditions made in 1931 by the first and second Finance Bills of that year have been perpetuated, even against England where there was no depreciation of currency and no item which would justify the increasing of the protective duty. In spite of that, Sir, without the basis of any support from the Tariff Board, simply on the basis of a trade agreement between two parties, the Commerce Department perpetuated those acquirements of the textile industry. But this industry which was given protection after the surcharges had been imposed is being penalized and a duty of Rs. 1-5-0 per cwt. is being imposed. Perhaps it is by this means that a message is conveyed to the industries that in order to qualify for Government's help and support they must be inefficient and it is only inefficiency and mismanagement which will entitle them to support and help from the Government, while good management would deprive them even of their acquired rights. Sir, I appeal not from the point of view of the industry but from the point of view of the consumer that protection should be effective. If the protection is effective we have the consolation that in a few years this burden which falls on consumers will be lifted. If protection is not effective, if the industry is not able to stand on its legs, protection will have to be continued. I therefore again appeal to the Government to do everything in their power to make this industry prosperous. In this connection I should like to draw the attention of the Honourable Member to one special item. In almost all the terms of managing agencies of this industry the commission of the managing agents has been fixed at ten per cent. before deduction of depreciation and income-tax and other taxes of the Government. I especially wish to draw his attention to the fact that this excise duty which he is going to impose on the sugar industry will have this effect, that according to that agreement of theirs, the managing agents will be entitled to a commission of two annas on this duty which is being paid to Government; so that while the company may not make payment of a single pie to its shareholders the managing agents will be entitled on their terms of agency to a profit of two annas per maund. Then, Sir, I do not like that Bills should be passed in this House to give retrospective effect. The tariff Bills are quite different from excise duty Bills. In tariff Bills, because of the element of competition, it is always provided that the duty will be deducted from the date of the introduction of the Bill. But there was no necessity to give retrospective effect to an excise duty Bill. I appeal to the Government that they should not make a precedent of this if they come up again with an excise duty Bill. The excise should come into force in the usual course after the passage of the Bill. That is all I have to say.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan): Sir, I regret I cannot lend my support to the passage of this Bill. We all know that the Bill is going to be passed in the teeth of opposition from every nook and corner of the country. As we are helpless and the Bill is going to be placed on the Statute-book, I would request the Government that they must have some consideration for the development of this industry and spend something out of this duty for its improvement. There are many and large problems before the industry which require the help of the Government, financially as well as administratively, and I would appeal to the Government that they must come forward to solve them and help the factories in making themselves efficient.

Sir, we know that there is a great scarcity of wagons and hence a great difficulty in the matter of transport which factories have to meet. They require wagons for carriage of sugar-cane ; they require wagons for carriage of coal and sugar ; and it is my experience of this year's working that the factories get wagons with the greatest difficulty. This is a thing which Government can do very well to help the factories and by doing so the Government itself will be getting more revenue in the Railway Department. With all that, Sir, we find that the arrangement is very bad and the factories are not getting enough wagons. I hope the Government will meet our wishes in this direction.

Then, Sir, there is another important question, namely, the improvement of the cane. I admit that the Agricultural Council of Research is doing a lot in that direction : but in those provinces in which cane is produced abundantly, especially in the United Provinces which has the honour of having the largest number of factories—out of 135 as many as 75 factories are located in that province—Government should start demonstration farms here and there in the interior and also research work should be carried out in them. This is a thing which is done in every country and we know that many countries are spending a lot in that direction to develop their industry. We appeal to the Government to consider this point. Sir, the problems before the industry are stated in a paragraph which runs thus :

“ The urgent need of reduction in cost of production by utilization of products like molasses in the manufacture of power alcohol for admixture with petrol as fuel for internal combustion engines, etc., and bagasse ; by reduction in costs of agriculture, by improvements in quality of cane, so as to yield a bigger percentage of sugar, and so as to extend the manufacturing season from 120 to 160 days or so, by growth of early ripening and late ripening canes ; by researches for removing pests, and introduction of suitable varieties of cane, so as to increase the crop per acre, by effecting economies in cost of manufacture, by increasing efficiency by chemical and engineering research, by suitable selection of efficient machinery, etc., by better method of distribution of markets between factories, by more rapid methods of supplying fresh cane to factories, by securing cheap railway and steamer freights, by economies in packing, by eliminating wasteful competition, and establishment of the necessary *esprit-de-corps*, by devising methods of finding an export market ”.

Sir, in this paragraph many problems have been set forth, some are for the factories to adopt and the others for the Government. We are wasting materials for nothing. At some places the factory owners spend money to drain out molasses from the factory area. Molasses for which the Tariff Board calculated ten annas per maund are fetching nothing and factories are spending

one to two annas a maund for their destruction. I appeal to the Government to take the earliest steps to bring in an Act by which factories may be able to turn it into alcohol and fix a certain percentage to be mixed with petrol. We all know, Sir, that India consumes a large amount of petrol and if the Government sees its way and helps factory owners in that direction, the income of the factories will increase and also the country will be benefited by having a certain percentage of petrol for its own consumption.

Sir, I hope the Government will consider all these points and if they are taxing factories so much they will also come forward to help them in these directions.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to oppose the passage of this Bill at this last stage. I hope, Sir, that from the additional revenue which the Government will get from the imposition of the excise duty they will at least double the grant on the research of sugar-cane. I also suggest that in provinces where sugar-cane is not grown intensively, generous grants be made to those provinces, especially the Punjab, so that the sugar-cane industry may thrive there. Cane, as we all know, differs in proportion to its juice. My friend, the Honourable Nawab Sahib from the Punjab has already said that the plight of sugar factories in the Punjab is far from being satisfactory and I think that one of the reasons is that generally the juice of the cane there is much less than the juice of the cane in the United Provinces and Bihar. I therefore suggest that for equity and justice there must be some differentiation in the duty where the proportion of juice in the cane is proportionately much less than the cane in other provinces or places.

Sir, an exception has been made as regards the imposition of the excise on sugar produced from palmyra. I would suggest that a similar concession be made in the excise duty on sugar made from dates. In the South-West Punjab and also in many portions of Sind sugar is manufactured from dates and manufacturers of date sugar are entitled to the same concession as is being given to palmyra sugar.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member) : Sir, this debate has come to an end and I am glad to say that the Honourable Members who were opposed to the measure have availed themselves of many opportunities to give expression to their views and if they have not succeeded in convincing any large section of the House as to the soundness of their views, it is not, I can assure them, due to their lack of persistence in repeating their arguments at length. At this stage I wish only to make one or two observations. It has pained me, Sir, to hear more than one Honourable Member saying that something should be done for sugar-cane, something should be done for research ; other countries are doing and Government is doing nothing. It pains me—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : We never said that Government is doing nothing.

THE HONOURABLE MR. HOSSAIN IMAM : Government is doing something, but we want still more to be done.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I ever heard any statement as to what Government is doing. The Honourable

[Khan Bahadur Mian Sir Fazl-i-Husain.]

Members sitting opposite possess a blue book and they have been referring to it, off and on, the whole of today. I should have expected, Sir, that the Honourable Members would possess certain proceedings of the Council of Agricultural Research—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I referred to that.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : You did. I am very glad to hear it. I trust you saw the portion of it which referred to molasses ? I trust you also saw the various committees which sat on molasses and discussed half a dozen alternatives of how to deal with it ? I trust you also saw how many experiments had been performed thereon to see whether molasses could be used for different purposes helpful to agriculture ?

Sir, if the Honourable Members know of that and keep all that valuable information from the rest of the House, I can only say that it is a modesty which it would be well for them to have less of than they have at present. The knowledge that they say they possess, I am sure, other Members of the House would be very glad to share with them. If they do not know, then of course I would most earnestly beg them to devote some little time of their leisure to the study of these various efforts that are being made in order to improve the knowledge of our countrymen in the matter of sugar-cane production, its variety, all about the survey of sugar-cane areas, factories, etc. The amount of literature produced, the amount of valuable material forthcoming is so great that if it were read and digested, I am sure a very great deal of the controversy to which we have listened would have been in all probability unnecessary. That is so far as sugar-cane is concerned. We are told something should be done now that money is forthcoming out of the excise duty to improve research. There again, already in another place the Honourable the Finance Member gave an assurance to the effect that sugar research would be pressed with greater intensity than heretofore, that the Sugar Research Institute would be carried on. The Honourable Member from the United Provinces cannot be unaware of the fact that there is already a sugar institute there, a part of the bigger institute, that the Provincial Government is not able to do as much justice to that institute as it would like to and has asked the Council of Agricultural Research to take over in order to extend the sphere of its utility.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Will the Government do it now when they have more funds in their hands ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I am trying to place some information at the disposal of Honourable Members. It is not for Honourable Members to say whether Government will do that now or not. If the Honourable Member would look at the various reports of these useful committees, he will find that Government has already moved in that direction, not now, but weeks and weeks ago.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : And that is the reason why, on account of my appreciation of the agricultural research carried out, I made a suggestion that the grant should be doubled.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** I am very grateful to the Honourable Member for his word of recommendation to the Government for giving me a little more money. Only if these recommendations were not coupled with a persistent attempt to retrench all useful institutions something might be said to come out of it. I trust he will bear that in mind when the frenzy for retrenchment is on him.

Now, Sir, I trust that I have shown that there is a great deal of useful work which is being done of which the Honourable Members should inform themselves so that they may carry that knowledge on to their constituents and make it available to them. Government has taken steps to see that that useful work should be produced in the form of easily intelligible literature to be given to various papers, both English and vernacular. But it will be ever so much good work done by the Honourable Members themselves if they were to make this sort of information available to their constituents. As one who has some experience of elections I may assure them that what I am telling them today is not only a good charitable work: it will be very useful for them in their future elections because their electors will think that they did tell us something useful and did not only come to us for votes. That is just by the way, Sir. I am sure this measure was one of which the Government was not enamoured. It has come before this House as a measure of necessity and it does one's heart good to see that by far the largest section of the House, realizing its necessity, has given it as much support as Government could have desired.

**THE HONOURABLE THE PRESIDENT:** The Question is:

"That the Bill, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

### SUGAR-CANE BILL.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Sir, I move:

"That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be taken into consideration."

Now that the Sugar (Excise Duty) Bill has been passed by the House, Sir, I am sure the House in the ordinary course would expect me to bring forward a measure which would try to protect the cane-grower in the struggle between the two great parties, the factory owners on the one hand and Government on the other. Government wants money for its needs. The factory owners want money for their needs as well as for their luxuries. In that struggle Government wants to get as much as they can and millowners try to lose as little as they can. With the result that the poor cane-grower runs the risk of some of what he used to have being also taken away from him. Whether this measure will succeed in protecting him or not, it is only in the light of experience that will be gained that we will be able to judge but I can assure the House, Sir, that it is an honest attempt to do within reason what can be done to safeguard the industry. Clauses 3 and 4 of the Bill really are the main clauses. They give closed controlled areas and also give the Local Government power to fix prices. Clauses 5 and 6 are the penalty clauses. Clause 7 is



[Khan Bahadur Mian Sir Fazl-i-Husain.]

the rule-making clause, while clause 8 is the one which gives a certain power of control and supervision to the Governor General in Council. This is really the Bill in a nutshell, I may say. I trust this Bill which is in essence a non-controversial measure will not detain us very long. If Honourable Members do not find it as strong as they would like it to be, my plea beforehand is that it is a measure the working of which must be left to Provincial Governments and it will rest with them whether they work it strongly or moderately or weakly. For us it is necessary to give them the requisite power. It is for them to use that power discreetly to the best interests of the industry.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to oppose the consideration of this Bill. The fixation of minimum prices of a raw material for a large food-producing industry involves a departure from a principle so unprecedented that it should be the subject of resentment and protest from all quarters and not only from the sugar industry. The payment of a fair price for sugar-cane to the grower is a principle which the industry whole-heartedly accepts.

(At this stage, the Honourable the President vacated the Chair which was taken by the Honourable Major Nawab Sir Mahomed Akbar Khan, Chairman.)

Whilst, in a few isolated cases, advantage of excessive cane crops may have been taken by factories to reduce the price paid to the growers, these cases are not only exceptional, but the consequential and inevitable reduction in planting for the following season soon abolishes this tendency. The Tariff Board laid down, after most thorough investigation, that

“ It is clear that no direct measures can be taken to ensure that a definite rate for cane is paid to producers ”. (Page 99, paragraph 101.)

“ We fear that no system of scaling prices for cane in accordance with the output of sugar will be understood by the ordinary agriculturists—further that, even if a scale could be devised which would be suitable for the varied conditions of cane cultivation in different parts of India, the methods of evasion are so numerous, that it is impossible that it could be successfully imposed ”. (Page 100.)

They add :

“ The main requirements for the success of a sugar factory are an adequate and continuous supply of cane of reasonable freshness, a sufficiently long working season and an economic price for cane ”. (Page 103.)

This economic price the Tariff Board considered for Northern India to be Re. 0-8-0 per maund delivered at the commencement of the period of protection (*i.e.*, with sugar selling at Rs. 9-5-0) and Re. 0-6-0 per maund at the end of the period of protection (*i.e.*, with sugar selling at Rs. 7-12-5).

It must be pointed out that, as illustrated above, with conditions considerably less favourable to the industry than the Tariff Board visualized at the end of the period of protection, the average price being paid for sugar-cane is not less than Re. 0-6-0 per maund delivered at the factory. Any legislation designed to enhance the price now being paid will not only inflict a further hardship upon this industry, but will certainly increase the price of sugar-cane above that “ economic price ” visualized by the Tariff Board.

It must also be pointed out that Provincial Governments' sole interest in the sugar industry lies in the prosperity of the agriculturist through the realization of land revenue, irrigation dues, etc. This industry has neither the wish nor the intention to take advantage of the grower, but the proposed legislation places it in the hands of the Provincial Governments to take advantage of the sugar factories, almost up to the point of final extinction. If Provincial Governments had any interest in the proposed excise duty, income and super-tax, import duty on sugar machinery or import duty on foreign sugars, etc., there might be less justification for the apprehension felt at this proposed legislation.

As reported, however, the proposal (*i.e.*, the reported intention of Government to create licensed societies or marketing boards for sugar-cane) is so revolutionary, and is considered by the industry so certain to result in complete disaster for the sugar factories that it is considered essential to review this subject with the least possible delay. The absolutely vital importance of the constant supply of fresh cut cane to a sugar factory cannot be sufficiently stressed. The imposition, between the factory organization and the agriculturists from whom the cane is purchased, of any kind of organization, whether controlled by Government or not, with power to fix prices, distribute the cane, receive and distribute payment, cannot possibly do otherwise than duplicate opportunities for corruption and delay. In actual fact the freshness of the sugar-cane is of greater importance than the price. Stale cane, even four days after cutting, is not worth purchasing at any price at all. The inestimable losses which would be incurred by delays in supply would in no way benefit the agriculturist, but would make working impossible for the sugar factories. The industry, holding these views, and with the knowledge of experience that these views are correct, can only oppose any such legislation with all the means at its disposal. It may be pointed out that this industry is now responsible for the direct employment of between 80,000 and 90,000 factory workers, from 1,000 to 1,500 graduate executives, very considerable employment among bullock carters, and revenue to railway and other transport services. It purchases and consumes 60 lakhs of tons of sugar-cane each season, having a value of some Rs. 6 crores, and had stopped an annual drain of some Rs. 12 crores abroad for foreign sugar.

So far as the consumer is concerned, the following table will illustrate the price the Indian consumer would have to pay (*a*) for Java sugar, (*b*) for Indian sugar at the average value recommended by the Tariff Board (Rs. 8-13-1) and (*c*) actually paid at present market rate. (In each case Re. 1 per maund has been added to factory or port price for freight to consuming centres.) The consumption is calculated at 600,000 tons.

Java sugar.	Tariff Board recommendation.	Actual price in February, 1934.
Rs. 10-2-0 per maund <i>plus</i> freight.	Rs. 8-13-1 <i>plus</i> freight.	Rs. 7-12-0 <i>plus</i> freight.
600,000 tons	600,000 tons	600,000 tons
Rs. 18,02,25,000	Rs. 15,90,46,870	Rs. 14,17,50,000

[Rai Bahadur Lala Ram Saran Das.]

So that it would appear that this industry is today supplying India with sugar at a saving of Rs. 3,84,75,000 below the present Java price and of Rs. 1,72,96,870 below the average price recommended by the Tariff Board.

(At this stage the Honourable the President resumed the Chair.)

Sir, in case we once support this principle of regulating the price of raw materials, we do not know where we stand. Sir, does Government intend to regulate the price of all raw materials? When wheat falls to about Rs. 1-4-0 a maund in what way will Government raise the price? Once this precedent is started, we do not know where it will end. So, Sir, being wrong in principle I oppose the consideration of this Bill.

THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARRHANGA (Bihar and Orissa : Nominated Non-Official): Sir, as one who is not only an owner of sugar mills but also a landlord, the bulk of whose tenants cultivate cane, and who himself grows canes extensively, I fully appreciate the motive with which the Government have brought forward this piece of legislation. I whole-heartedly support the idea that the benefit of protection granted to the sugar industry should be equitably distributed between the producers of sugar and the growers of sugar-cane, because it is mainly on the latter class that the expansion of the sugar industry depends. They must be kept happy and contented. But, Sir, I think that this Bill will not bring about the desired result, at least in the part of the country with which I am most concerned, *viz.*, North Bihar.

With your permission, Sir, I propose to examine the provisions of this Bill at this stage of the debate in order to explain to the House the grounds of my apprehensions and I find to my great satisfaction that the views that I have formed as a result of my day-to-day dealings in this sphere are very much in line with those expressed by the able representative of the Government of Bihar and Orissa (Mr. H. C. Prior) in the Sugar Conference held at Simla in July last year. But before I do so I want the House to consider what is one of the potent causes of the payment of an inadequate price to the cane-growers by the factories. Sugar-cane being, in the words of the Tariff Board,

“ One remaining crop on which the cultivator relies for his cash requirements ” has attracted the attention of the cultivators in general. The sugar mills take time to start work and it has been our experience that in spite of the rapid development of factories the supply of cane is much in excess of the demand. This is generally the case during a large part of the cane-crushing period. The result is that the growers, who are anxious for the quick sale of their canes, enter into competition and cut down their prices. The prices given to them by the factories, so long as they are higher than what they expect to get from *gur*, attract them; and we have so far found that the prices paid by the sugar factories are such as not to make them think of utilizing their canes in any other way than selling them to factories. Sir, what has been stated by Mr. Prior in the Conference, I have mentioned, is the correct account of the condition of things in my province. He said :

“ A fair price was generally paid for the cane and it seems likely that in North Bihar the ordinary rules of supply and demand will result in a fair price being paid in future ”.

Sir, I agree with the Bihar and Orissa Government that it would be impracticable to enforce by legislation the payment of any such minimum price. I have read carefully clause 3 of the Bill which deals with the subject, and the more clearly I have tried to visualize the situation it will create, the greater become my apprehensions regarding the misuse of the legislation.

Sir, from the very nature of things, there are bound to be middlemen between the factory authorities and the cane-growers. They may be the mill employees or the licensees of the Government. How can any one check the corruption when in view of the over-production and competition among the growers themselves the cultivators are paid less than the minimum by the middlemen concerned? The aggrieved party in such cases will be the growers. But he will be happy to sell the produce at a price lower than the prescribed minimum. Who will then come forward to set the law in motion? There will be endless trouble and harassment in the matter of bringing the culprit to book in cases where the law about the minimum price has been violated and the agriculturists will seldom take recourse to it. The only way to ensure the payment of the minimum price to the growers is to establish full co-operation between the cultivators and the factories; but if there is co-operation then the need for fixing minimum price by legislation will go. Then, again, how will the price be regulated in an area where like me the millowner himself possesses extensive private farms under sugar-cane cultivation? Will there be a licensed person for that area also? If so, what will be his functions? I suppose there will be none of the sort? If there will be one, there is bound to be confusion and trouble. I would like the Government to consider this aspect of the question and let me have a satisfactory reply. The other question that must engage the attention of the Government in this connection is the basis on which the minimum price has to be fixed. We know that canes vary in quality. Then there are fresh canes and dry canes. Will the margin of profit of the millowners be taken into consideration? Will the interest on investments, etc., of the factories be taken into consideration? Besides that I know, Sir, how difficult it is to calculate the cost of production of sugar-cane. Conditions differ from farm to farm and from individual to individual and any estimate is bound to be arbitrary. Is the Government going to make periodical enquiries into all these matters; and, if so, one wonders what amount it will cost the taxpayers and what element of uncertainty it will introduce in the minds of both the growers and manufacturers engaged in the sugar industry.

Now, Sir, there is another matter which makes me sceptic about the payment of a minimum price to the cane-growers. In spite of this law, in spite of having licensed factories and contractors no one can prevent corruption which the existing situation encourages, although clause 5 of the Bill is deterrent. Suppose the contractor or the factory employee, though paying less, takes a receipt from the vendor for the amount of price stipulated in the notification, how can anybody detect it? There are a thousand and one ways of evading the penalty and as I have indicated before, so long as the economic and other factors induce the cultivators to sell their produce cheap, no law can succeed in ensuring them any definite return.

[Maharajadhiraja Sir Kameshwar Singh.]

The other question that has to be seriously considered, in connection with this piece of legislation, is the declaration of controlled areas. Sir, theoretically the plan may appear to be sound. Even in practice it may work well in certain provinces. But it will be quite unsuitable in my province. I would refer the Honourable Members to pages 56 and 57 of the proceedings of the Sugar Conference at Simla. I endorse every word of the reported speech of Mr. Prior. I need not tire the House by quoting his speech at length, because I take it that the Honourable Members who have taken an interest on this subject must have perused the blue book with care. Mr. Prior has stated the proposals made for zoning and shown that situated as Bihar is they are not only unsuitable but vexatious. I repeat what he has said, *viz.*, that

“ If the Government is going to fix the size of the zone it is then imposing on itself a very grave liability ”.

Even a slight error of judgment on the part of the Government in this matter will put the sugar industry in my province under a severe handicap. It must be remembered that

“ white sugar factories mostly exist in North Bihar and they take practically the whole output of cane in North Bihar and the ryots have given up to a large extent the manufacture of *gur* except in areas where there are no factories and he has no other outlet for his cane except the white sugar factory ”.

In this matter, Sir, the opinion of Colonel Lees also supports the contention just put forward. Here, again, the Government will have to take into account cases in which the millowner owns big private farms in the vicinity of his mill and grows sugar-cane in them. They, I think, will have to be left out of the operation of this Act. Otherwise, I fear, a lot of complications will arise and the growth of this industry will be retarded.

Coming to clause 6 of the Bill, Sir, I find that unless the district magistrate orders or initiates a prosecution no court shall take cognizance under section 5 of this Bill. I am unable to follow this provision of the legislation, and may I put a few simple questions to the Honourable Member in charge of this Bill? Will he be good enough to tell the House in detail as to what will be the basis on which the magistrate will complain and what will be the method of his enquiry? Will the aggrieved ryots have to go to the magistrate and file a petition that he has not been paid the minimum price or will the Criminal Intelligence Department be expected to report the cases of infringement of this law? Will there be a regular or a summary trial of such cases? Will the offence be brought under the Civil or Criminal Procedure Code or a special tribunal will be set up for the purpose? Will there be any right of appeal, and, if so, what will be the ultimate authority to decide the question? These are questions, Sir, that came up before my mind while I was going through the Bill and it would help us to understand the position better if we are enlightened on these points. I have already submitted, Sir, that the problems of fixing of the minimum price as well as of the controlled areas are full of practical difficulties. But greater will be the difficulty of bringing the offender under this law to book. My apprehension is that when this Bill is put on the Statute-book the Provincial Governments

will have to spend many anxious days and nights to adjust the provisions of the law to the special conditions prevailing in the area under their jurisdiction, and even then it is doubtful whether they will succeed in harmonizing the relationship between cane-growers and millowners. On the other hand, I fear that this piece of legislation will create more discord between these two sections and set back the progress which the sugar industry is making. So far as my province is concerned, Sir, I hope that the Government of Bihar and Orissa will consider the advisability of not even looking at the Bill for a considerable time and devise other measures for meeting the situation when any occasion arises. Even as it is, Sir, we are not free from difficulties.

In this connection, Sir, I may mention that people, with political ambitions masquerading under a thousand and one denominations having no stake in the country, having little interest in land or industry, and who are themselves neither cane-growers nor sugar manufacturers, are out to foment trouble. Their main object in freely using their misguided tongue and pen is to create friction between the component parts of agricultural interests and gain irresponsible leadership of the section that is numerically strong. Such men have nothing to lose; they have everything to gain. In the past many such pseudo-leaders have sprung up and after being found out, after having caused immense hardships to poor ryots or after having cheaply bartered away the cause which they championed, have disappeared. The expansion of the sugar industry has given them a fresh field to work for their self-aggrandizement and there is an influx of newcomers. They are going about telling the simple ryots, whose wish and care are centred round a few paternal acres that they possess, all sorts of disturbing tales regarding the ruthless exploitation of the capitalists and landlords. Hopes, which they know in their heart of hearts, they can not fulfil are freely given, and the poor ryots are worked up with these vain hopes to actions, the implications of which they do not understand. Thus, we hear so much of bogus associations formed for the alleged "protection" of ryots. In fact these associations work for their destruction, and the poor ryots realize it only when it is too late for them to mend. These parasites, these self-seekers and mischief-mongers who, in most cases, become the controllers of these associations hypnotize the cane-growers by their crafty assurances and the simple ryots without bestowing much thought meekly submit to their lead. These are the people from which the sugar industry or, for the matter of that, every kind of agricultural industry needs protection and these are the people who are likely to make the application of this law in my province ruinous. These are the people who will, in order to gain their own vicious ends, make it impossible for the mill owners and cane-growers to combine and co-operate for the furtherance of an industry beneficial alike to both of them. Sir, I venture to think that unless the industry is protected from this type of men, whose idle brains are the devil's workshop, unless demonstration and propaganda are extensively carried on to impress upon the cultivators, the interdependence of capital and labour in this industry, no law that may be enacted here can better the condition of the poor ryots at whose cost these pernicious adventurers make money and a position for themselves. I think that the security of the industry lies not in the law that is going to be enacted but in the joint action of the cane-growers and the sugar manufacturers based on a common understanding regarding the improvement of their economic condition. Without

[Maharajadhiraja Sir Kameshwar Singh.]

such an understanding, I am afraid there will be endless strife between capital and labour, landlord and tenant and the laws to adjust the differences will be fruitless. As we stand at present conditions are governed more by extraneous and spurious factors than by anything which has a firm root in practical economy.

I hope, Sir, that both the Provincial and the Central Governments will make a thorough investigation about the conditions prevailing in the different parts of the country while making rules and granting exemptions under this Act. I believe that every section of the people concerned with this industry, such as canegrowers, millowners, landlords and ryots, will be consulted before the rules are enforced and in view of the fact that unscrupulous agitators are busy in disrupting the economic life of the people, care will be taken to protect both the ryots and the millowners from their baneful activities.

Before I resume my seat, I want to repeat once more that it is my firm conviction that for the province of Bihar and Orissa the application of this law is not necessary. It will not improve matters there; rather my apprehensions are that it may make them worse. In these circumstances I cannot support the Bill and even if the Bill is passed into law I trust that the Bihar and Orissa Government will not give effect to it without further deliberation about its necessity and efficacy.

THE HONOURABLE RAI BAHADUR LALA JAGDISH PRASAD (United Provinces Northern: Non-Muhammadan): Sir, it is my misfortune that I happen to disagree with the two Honourable friends who have just spoken in opposition to this Bill. I welcome this measure, Sir, as being in the interests of the agriculturist and calculated to benefit the cane-grower. There is no gainsaying the fact that a number of sugar factories do not pay a fair price for the cane these factories buy from the sugar-cane-growers, and thus the interests of the cultivators suffer. This Bill will, by enabling Local Governments to fix minimum prices of sugar-cane to be paid by sugar factories, protect the interests of the cane-growers. As has been pointed out by my Honourable friend the Maharajadhiraja of Darbhanga, it is believed by many that there will be a great many practical difficulties in the working of this measure. There may be difficulties in the beginning I admit, but, Sir, difficulties are meant to be overcome, and I have no doubt that with the growth of experience these difficulties will be overcome and the provisions of this Bill will ultimately be a boon to the cane-grower. I only hope that the Government will not sit tight after the Bill is passed, but would devise ways and means to ensure that the sugar cane-grower really benefits by its provisions.

Sir, I give my whole-hearted support to the measure.

THE HONOURABLE SAYYED MOHAMED PADSHAH SAHIB BAHADUR (Madras: Muhammadan): Sir, if at this late hour in the evening I venture to take part in the debate, it is only to reply to some of the observations which were made by my Honourable friends who opposed the Bill. Sir, I am surprised, and very disagreeably too, at the attitude which was evinced by my Honourable

friend the Leader of the Progressive Party. I am surprised to find that one like him who, whenever an opportunity offered itself, took the Government to task always for their minding only their revenues without having the welfare of the people at heart. I am surprised, Sir, that one who always used to make such pathetic appeals to the Government not to run the administration as a lifeless machinery which served the needs and requirements only of the State, refusing to take note of the difficulties and distress of the people. I am surprised that one who has always in this way posed as espousing the cause of the people has taken objection to the very first step which the Government have taken to alleviate the distress of the people. Sir, I am surprised that one who always pleaded for practical steps to be taken to improve the economic condition of the people here, that one like him should now oppose this Bill which moves in the right direction of contributing to the economic uplift of the country. My Honourable friend Rai Bahadur Lala Ram Saran Das was of opinion that the industry against which this legislation is being enacted would suffer seriously from the effects thereof. My Honourable friend forgets that no industry can prosper unless there are people about in the country who could afford to purchase the products turned out by that industry. Sir, he forgets that 75 per cent. of the Indian population comprises agriculturists and that any measures that may be taken to ameliorate the condition of the people and improve the economic conditions in the country would be a miserable failure if they fail to take note of the requirements of the agricultural class.

THE HONOURABLE MR. HOSSAIN IMAM : On a point of order, Sir. I find that there is no quorum and I move that the House be now adjourned. We have been sitting for eight hours and it is convenient to adjourn at six o'clock.

(Here the bell was rung and a quorum obtained.)

THE HONOURABLE THE PRESIDENT : I would request Honourable Members to be in their places.

THE HONOURABLE SAYIED MOHAMED PADSHAH SAHIB BAHADUR : Sir, I was saying that whatever may be the measures adopted in order to improve the country industrially the conditions in the country are such that all measures intended to bring about an economic improvement in the country would fail to bring about the desired result unless those measures also took note of the needs and difficulties of the agricultural classes. Sir, the agriculturist is the foundation on which the whole economic structure of the country rests and whatever efforts might be made to improve the superstructure by making improvements industrially or otherwise, the structure is bound to break down unless steps are also taken to strengthen the foundation by improving the hard lot of the agriculturist. Therefore, Sir, I feel that this measure which the Government has proposed is the very first of its kind and one which represents the first step which the Government are taking in the right direction and I congratulate the Education, Health and Lands Member for having brought forward this measure and I would appeal to him that having taken this step in the right direction he would see to it that the Government persists in this course and try to follow up this measure by enacting similar measures in order to raise the level of prices of agricultural produce.



[Saiyed Mohamed Padshah Sahib Bahadur.]

Sir, another Honourable friend who took objection to this measure did so on the ground that after all this Bill might prove only to be a pious hope and that there was no guarantee that the relief that is being attempted to be given to the agriculturist would actually be given to him. In developing this argument he conjured up a vision depicting the piteous plight in which the cane-grower would find himself exposed on all sides to exploitation, exploitation by factory owners, exploitation by people who come under the category of licensed purchasing agents. I would request this Honourable friend to have some patience and see whether the steps taken to give effect to this measure would or would not be such as would be calculated to bring about the desired result. The Bill makes it clear that any rules that might have to be made by the Local Government in giving effect to this measure would be first published in the Gazette whereon suggestions would be invited. I feel, therefore, Sir, that people who entertain these doubts about the way in which this measure will be administered, would do well to make those suggestions to the Local Government and help these Local Government to devise ways and means to help the agriculturist as far as possible to benefit from the measure.

Sir, in this connection I would request the Government to try and help the formation of co-operative societies. My Honourable friend, Mr. Mehrotra, gave us an account of the way in which the co-operative societies were functioning to the great advantage of the cane-growers. He told us how these joint stock companies ordinarily give much less than what the cane-grower usually gets from the co-operative societies. I would therefore request the Government that they should do their level best to see that these societies are started so that the cane-growers might sell the produce to the societies and thus be saved from being exploited either by the factory owners or by the middlemen.

Sir, there is one more suggestion I would like to make. I would suggest  
 6 P. M. that this Bill be put into effect at one and the same time throughout India for otherwise factories in adjoining places would be placed in an invidious position. Some factories in what would be constituted a controlled area would have to pay much more than others where this law has not been put into effect. I would also request the Government to take steps to see that some such arrangement is also made in the Indian States. I know, Sir, that we cannot force the Indian States to pass this kind of law, to enforce this law if they are not minded to do it. But the Government can very easily enforce the application of this salutary measure by trying to impose an excise duty upon sugar which is manufactured in Indian States where this kind of legislation is not in force.

With these observations, Sir, I support the measure.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA: With your permission, Sir, I beg to move that this House do now adjourn till tomorrow. Sir, my reasons are that we have been sitting from ten o'clock and it is now past six. On previous occasions when we have sat late, we have risen for tea and today we have not even done this. I think, Sir, it would be very convenient if the House is now adjourned till ten o'clock tomorrow.

**THE HONOURABLE THE PRESIDENT :** The question of the adjournment of the House rests altogether with the President. He has to decide for what time the Council is to sit. I quite realize that this morning Members have been sitting here since 10 o'clock, and I propose to adjourn the House after the consideration stage has been passed. I believe there are not more than two or three speakers.

**\*THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammad-an) :** Sir, I find it difficult to deal with this Bill in the calm manner in which I would have liked to discuss it. While on the one side from the agricultural point of view I would welcome every measure which would give the agriculturist any relief, I have been told, Sir, that from the industrial point of view it is not so desirable, by our Honourable colleague the Maharajadhiraja of Darbhanga. That this Bill has been brought with good intentions no one can doubt. But whether this will be effective in curing our ills is the real question before the House.

**THE HONOURABLE SAIYID RAZA ALI :** What are those ills ?

**THE HONOURABLE MR. HOSSAIN IMAM :** I will recount them. Medical science has found that there are certain diseases the presence of which prevents the appearance of other diseases. Sometimes diseases are inculcated to cure other diseases, and on the same analogy I find that this Bill is intended to do something of the same kind. By introducing this Bill, we are subjecting the tenantry to some other ills in the hope, which may not be fulfilled, that some other malady with which they are suffering will be cured. Why I would like to support this measure is that at the time of the Tariff Board enquiry it was given out that sugar-cane-growers would get a certain amount of price. That price has not been realized. That is the decision for bringing in a measure of this kind. But the fact that there are so divergent qualities of sugar-cane—the condition of the cane makes all the difference in its being fresh—

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :** Who is going to judge the different varieties of cane ?

**THE HONOURABLE MR. HOSSAIN IMAM :** As far as that is concerned, we know, Sir, that human ingenuity can do many things, but there are more things than human ingenuity can encompass. I have a deep-rooted distrust of the executive authorities to frame rules. I voiced when we were discussing the Sugar (Excise Duty Bill) that the rules should be laid on the table. I would appeal to the Government that all the powers should not be centred in the executive but that the Legislature should also have at least concurrent powers. Sir, the difficulties which the Honourable Maharajadhiraja of Darbhanga pointed out in the working of this Bill are to my mind very pertinent questions, and unless they are elucidated by the Honourable Member in charge in his reply, we will be in doubt. Sir, we are fixing controlled areas. The question arises as to what effect it will have if we do not make this applicable to the whole area. If one portion is controlled, the result will be that the factories will not purchase cane from that area but will go out, and as that will not be a controlled area, they will be able to victimize the sugar-cane-growers of the controlled area.

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\* Speech not corrected by the Honourable Member.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : What about the cost of transport from distant parts ?

THE HONOURABLE MR. HOSSAIN IMAM : That is a very pertinent question and the reply to that is, what is there to prevent them starting firms of their own ? They will have a firm nominally as their own which they will sub-let to the tenantry. They have got ample money. The result will be that all these tenants who now have a freehold will become slaves ; they will become *kamyas*. We had that example in my province.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : It is not the case in my province.

THE HONOURABLE MR. HOSSAIN IMAM : The indigo planters exploited the tenants. If you pass this, it is quite on the cards that something on those lines will occur. The tenants are in abject poverty. They need money. They will go to these mills and ask them to give them advances. The mills will advance Rs. 20 or Rs. 50 on the condition that in consideration of the loan, which will be free of interest, they will have to sell the cane at certain prices. Otherwise, they will have to pay interest at a very high rate. We have no Act to stop the high rates of interest. There are a thousand and one ways of over-riding these provisions. The real trouble of the tenantry is to find a suitable market for their produce. Sir, the question of a suitable market depends upon the possibility of holding out. It is only when a producer is able to hold out and is not compelled to sell his produce at the first offer that you can establish prices. Without Government interference and with only the support of the tenantry, the co-operative societies can deal with these facts. We could then stabilize prices at rates which will be fair both to the tenantry and the mills. I have an open mind. I would much rather support a measure which is brought forward for the betterment of the agriculturist. But, Sir, I cannot complain myself of the troubles of the industry. That is all that I have got to say.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan) : Sir, as far as the principle of the Bill is concerned, I am whole-heartedly in agreement as a co-operator. In my co-operative factory I have attempted the same thing and fixed the price. But, Sir, I think that the way in which this Bill is going to fix the price is next to impossible. It is only through co-operative societies that we can achieve the object, but not in the way that Government is going to do it. Sir, this is purely a question of supply and demand. If particular areas where a mill is located has got an abundance of cane and the Government fixes the price the cane-growers are sure to lose. I am saying it from my own experience. I have visited factories where cane carts in thousands stand at the gate, not for a day or two, but for weeks, and they will not go back unless their cane is taken. The result will be that the factory owners will select the number of carts required for the particular day and refuse others. When they will come to them the next day, they will say that the cane has deteriorated, on account of waiting for two or three days and has dried and that they cannot pay the same price as they pay for carts which bring fresh cane. Who is going to decide in these circumstances ? What will be the fate of these

cane-growers ? Either they will have to take back their cane and try the indigenous system of making *gur* in which case the cane will be dry and they will have to pay for cartage also. Then we find that for the better growth of the canes of the same quality, whether it is 213 or 214, it all depends upon the way in which it has been manured and watered. A particular tenant may have taken a particular interest and his cane may be very good. Another tenant living side by side may not have taken so much care and his cane is inferior. May I know, Sir, whether the Government is going to make arrangements for the inspection of every field at the outset ? And even if they had it at the outset the cane sometimes deteriorates after a certain month, and if the cane is not taken by the factory in that month it will deteriorate. Then, if that cane is brought to the factory, the factory owners will say, "Your cane is not of the same quality as fixed by the Government". Then what would be the result ? I think the cane-growers will suffer ultimately. Sir, this question was considered by the Tariff Board also and they themselves were of opinion that it is very difficult to fix the price of cane though they would very much like to. They say on page 99 :

"It is clear that no practical measures can be taken to ensure that a definite rate for cane is paid to producers. Conditions differ so widely in India as regards output of cane per acre, the cost of cultivation and the sacrose content of the cane that no one scale of payment would be suitable to all conditions".

That is what the Tariff Board themselves consider and were of the opinion that it was very difficult. Then this question I understand was thrashed out in the Simla Conference and there also the members differed on this point. With your permission, Sir, I will quote the views of Dr. Gokal Chand Narang at the Sugar Conference held at Simla in July, 1933. There was considerable discussion on the subject. The Honourable Dr. Gokal Chand Narang, Minister for Local Self-Government and Member in charge of the Industries Department, Punjab, averred that the price of six annas being paid for the cane was an economic price. He stated that he had calculated that the cultivator was getting cent. per cent. profit on his investment and that he was convinced that the cultivator was not being unfairly dealt with. He also stated that it was wrong to penalize the factories consuming only five per cent. of the total quantity of canes. The *khandsaris* were known to be paying only three annas or even less per maund of cane to the cultivators. That, Sir, is also a very important question, whether the price is going to be fixed for the *khandsaris* also. These *khandsari* factories are established in the interior at long distances from roads and stations, and is the Government going to set up an agency to go into the interior and fix prices there and see that that is carried out. Supposing the Government is able to do that, what will be the result ? The result will be that the *khandsari* system will fall to the ground, because it is only on account of the cheapness of cane which they can get at places where transport to factories is difficult which enables them to carry on.

THE HONOURABLE SAIYID RAZA ALI : This clause is only meant to apply to factories.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I know, Sir, but it will apply to *khandsari* concerns employing more than 20 men.

THE HONOURABLE SAIYID RAZA ALI : It is not only the number of men employed but the use of power. *Khandsaris* do not use power.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Sir, I think my friend is mistaken. The sugar produced by the open pan system of these small factories also comes under the same category and therefore this clause will certainly affect them. Then, Sir, in one district there may be three or four factories while another adjoining district has no factory. The price in the latter district would be much cheaper. May I know from Government whether they are going to fix prices for all districts whether there is any factory or not ? If they are not going to do that I think the factories would transport the cane from those districts where prices have not been fixed. For instance, in my district of Sitapur there are three factories and in the adjoining district of Hardoi there is no factory. Cane in Sitapur is sold at four to five annas, while in the Hardoi district cane is being sold at two annas and even so nobody is ready to purchase it. What is Government going to do in such circumstances ?

There is another important point. Is Government going to fix the maximum as well as the minimum price ? Only recently due to competition between two factories, the price of cane which was five to six annas rose as high as twelve annas. So, since Government is going to have regard for the interests of the cultivator by fixing the minimum price, are they prepared also to have the same safeguarding clause for the protection of factories also ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : A separate Bill.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : The Honourable the Leader says there will be a separate Bill. I think it would be in the fitness of things if the two Bills could have been considered together. We do not know what that Bill will be. Sir, in my province the question of relief for the agriculturist was taken up and the Government introduced two Bills, but when they were opposed by public opinion on the ground that those two Bills were not enough, they withdrew them and introduced four Bills. (Laughter.) So, Government might follow that analogy here ! They should withdraw this Bill and bring in the two Bills together so that we may know all that Government is going to do and judge the position properly. These are the important points which I have in mind. I find that there are innumerable difficulties in the way of fixing prices, though I very much wish that somehow or other the cultivators may get a fair price. I have come to the conclusion that there is absolutely no other way but to register a number of societies at the places where the mills are located and get them made members of these mills. In that way the Government can alone solve the problem and not in this way.

THE HONOURABLE SAIYID RAZA ALI (United Provinces : Nominated Non-Official) : Sir, the agenda paper for today contains the consideration of four Bills and if one were to analyse those four Bills, one would find that two of them are purely financial measures and the other two are pieces of social legislation.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** How social ?

**THE HONOURABLE SAIYID RAZA ALI :** My Honourable friend asks, "How social ?" They are the words applied to enactments and measures of this character. Social legislation means legislation the object of which is to improve the position, mainly though not necessarily the economic position of society. That is why measures of this character are termed social legislation. In fact the words "social legislation" have a particular meaning of their own and I believe that if a book on parliamentary and constitutional procedure be looked up, the meaning would be found given in full.

Now, Sir, I for one thought that so far as these two pieces of social legislation are concerned, this House would with one voice welcome them ; but to my surprise—and the surprise perhaps arises from the fact that I have been absent from this Council for about seven years—to my surprise I find that discordant notes have been struck. A number of queries have been put and it has been sought to be made out as if a satisfactory working of this Bill would be a hopeless task. I find, Sir, one Honourable Member, I believe it was the Honourable Maharajadhiraja of Dharbhanga, put queries as to who is to investigate these cases, to whom are these cases to go, what are the courts that would try these cases, what procedure would be applicable to the cases, whether there would be an appeal, etc. I would invite the attention of this House to clause 7 which gives the rule-making powers to the Government, and if one were to look at some of its sub-clauses even cursorily, one would find definite replies to the queries addressed by the Honourable Maharajadhiraja. For instance, sub-clause (2) (a) refers to :

"the carrying out of inquiries preliminary to the exercise of the powers conferred by section 3".

The rules would say as to what should be the investigating agency and what matters should be taken into consideration. Sub-clause (e) gives the rule-making power with reference to :

"the authorities by which any functions under this Act or the rules made thereunder are to be performed".

These rules would prescribe the authorities and define the powers which these authorities would exercise.

**THE HONOURABLE MR. HOSSAIN IMAM :** Do I take it that we are giving legislative power to the Governor General in Council ? Are the functions of the Legislature to be discharged by the Governor General in Council ?

**THE HONOURABLE SAIYID RAZA ALI :** There is absolutely nothing to prevent if this House finds it suitable to make over certain powers to any executive authority. These are by no means unduly wide powers ; they are ordinary powers that are generally contemplated to be defined in the rules to be made by executive authority---

**THE HONOURABLE MR. HOSSAIN IMAM :** The House should pass an Act giving all the powers of this House to the Governor General in Council, that would be the best thing.

**THE HONOURABLE SAIYID RAZA ALI :** If my Honourable friend brings forward a measure, he will see what my position would be. Then the next sub-clause goes on to refer to :

“the records, registers and accounts to be maintained for ensuring compliance with the provisions of this Act”.

All these points therefore, as a matter of fact, are covered by specific sub-clauses of clause 7. Now, a query was addressed as to what would be the procedure applicable ? I may say very briefly that the procedure applicable would be the procedure laid down in the Code of Criminal Procedure. The question of appeals would be determined by the same Code. Apart from the Act under which a prosecution is launched, you have to abide by the procedure laid down in the Criminal Procedure Code. Your right to go in appeal to the appellate court and the High Court subsequently is determined by that Act.

**THE HONOURABLE MAHARAJADHIRAJA SIR KAMESHWAR SINGH OF DARBHANGA :** I had certain doubts and I wanted them to be cleared by the Honourable Member in charge. I hope I shall hear in due course what the Honourable the Leader of the House has to say in the matter.

**THE HONOURABLE SAIYID RAZA ALI :** So far as I can see, Sir, these are the sub-clauses in point. Another Honourable Member traversed vast ground and he raised points by way of query. I believe the Honourable the Leader of the House perhaps has been able to follow some of the arguments. I must confess my inability to have followed some of them. For instance, my Honourable friend's plea was that the Bill if passed into law would be fruitless, useless, either because factories will advance loans to the cultivator without interest or they will charge 20 to 25 per cent. interest. An argument of this character shows what the worth of the argument is. I am sure that my Honourable friend has something very serious at the back of his mind. The trouble is that that has not been very clearly expressed.

**THE HONOURABLE MR. HOSSAIN IMAM :** Alternate pleadings are allowed.

**THE HONOURABLE SAIYID RAZA ALI :** So far as I can see this is a very good measure indeed, and I am sure the Government are perfectly right in giving a chance to the poor cultivator. It may be that some of the apprehensions to which expression was given by my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra are of a character not to be brushed aside, but he on his part was not in a position to suggest anything better.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA :** I have suggested co-operative societies.

**THE HONOURABLE SAIYID RAZA ALI :** My Honourable friend has made a suggestion and perhaps it is a practical suggestion. I believe that it will be considered in the quarters which have the power to do so, namely, the Treasury Benches. I for one am perfectly in favour for giving a fair trial to this Bill and see whether this Bill affords a certain amount of protection to the tenants against factory owners. I need not go into some questions of law raised by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra. So far as I can see, the application of the Bill is limited to those agriculturists who are

to sell their sugar-cane to factory owners. It does not apply to the sale of cane to *khandsaris*. But to me it seems that there is absolutely no reason why Local Governments should not be given the power to fix a minimum price or maximum prices. It has to be done under sub-clause (2) of clause 3. It is not necessary that the Local Government should declare only one minimum price. It may be that a number of minimum prices having regard to the locality and the needs of the area will be fixed in this behalf by the Local Government. Sir, my submission is that even if some of the forebodings here expressed by the Honourable Rai Bahadur Lala Mathura Prasad Mehrotra are going unfortunately to turn out true, the Bill is of such a character that a fair trial should be given to it. The extreme case, for instance, that he mentioned was this. Assume that a minimum price of six annas was fixed by the Local Government and the factory owners took the best cane—of a certain quality—at that price and rejected the rest ; in that case the poor tenant would be stranded. I hope, Sir, that this will not happen. Even if a case like this happened—and it is clear it is bound to happen very seldom—this Bill should be tested by experience. We shall see what difficulties arise in its working and whether those difficulties can be remedied by an amending measure which can easily be brought forward.

Only one more observation I will permit myself to make. It is this, Sir. I do not see why in a Bill of this character where all the powers given are to be exercised and all the action to be taken is to be taken by the Local Government, a certain controlling power has been reserved to the Governor General in Council. As a matter of fact, this Bill is of a character which need not have come to this Council at all but for the reason with which most of us are acquainted, namely, that a certain other measure has already been passed and it is meet and proper that the present Bill should also come before the Central Legislature. Otherwise this is a measure which ought to have come before the legislature of every province that is interested in sugar-cane growing or the sugar industry.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It is only a pious measure with a pious hope.

THE HONOURABLE SAIYID RAZA ALI : Well, that is my view of the provisions of this Bill. If I am right, Sir, I fail to see why any controlling power should be given to the Governor General in Council. One can perhaps guess what was in the minds of those who drafted this Bill. Possibly this power might at times be useful in the case of minimum prices, etc., to be fixed in an area which lies on the borders of two or three provinces. It can be of some use in that case but, so far as I can see, I do not think it will be of much use. As a matter of fact, I expected very strong objection to be taken to this clause by the protagonists of provincial autonomy but I am surprised at their sitting quietly and I found no objection was taken either by the Leader of the Opposition or any other Honourable Member of his party to this particular power being reserved to the Governor General in Council.

\*THE HONOURABLE SARDAR BUTA SINGH (Punjab : Sikh) : Sir, I rise to support this Bill. It is equitable that, if protection is extended to any industry, the profits that accrue should be equitably distributed between the

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\* Speech not corrected by the Honourable Member.



[Sardar Buta Singh.]

producer of the raw materials and the manufacturers. I, however, see great difficulty in working out any formula which would operate automatically and fix the price of cane in relation to a rise or fall in the price of sugar. Full powers are given to Local Governments to fix prices according to local conditions, and believing that some workable solution will be found, I give my full support to this measure.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON (Punjab : Nominated Non-Official) : Sir, with your kind permission, I will say just a few words. I confess that I never apprehended that there would be any opposition to this Bill in this Honourable House. The Bill is in the interests of a large section of the rural population—I mean the actual tillers of the soil—and I was under the impression that in this House where such a large majority of Honourable Members have the cause of the masses at heart, no one dare oppose the Bill. I do not see, Sir, why any landlord should object to the provisions of this Bill. This Bill provides that the tenants should get a good price for their sugar-cane, and if the tenants get good prices for their produce, the landlord's rent is secure. If the rent is in cash, it will be collected promptly and punctually. If the rent is in kind, then it will mean more money to the landlord.

My Honourable friend, Rai Bahadur Lala Mathura Prasad Mehrotra, has said that this Bill instead of doing any good to the tenants and cane-growers will do harm. I wonder, Sir, whether my Honourable friend has received any representation from that class. It was further said that there may be difficulties in working this Bill, but is there any reason why an attempt should not be made to overcome those difficulties and why should we leave the interests of such a large section of the rural population at the mercy of the mill-owners ?

Sir, I heartily support the Bill.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN (North-West Frontier Province : Nominated Non-Official) : Sir, I never wanted to participate in the debate because I came back from Lahore late last night, but having heard the arguments, Sir, the first thing that strikes me is this. At whose suggestion has this legislation been brought in ? My impression was that it was for the benefit of the tenants. But when I read through the Bill, Sir, no such laws have ever been framed for the benefit of the tenants when he is selling his wheat, when he is selling his barley, when he is selling his other articles, no such legislation has ever been thought of by business men that he should sell his goods at such and such a rate. Well, this is a peculiar Bill, Sir, that the tenant is to sell his article for so much. I should say, Sir, that this is for the landlord and the tenant. After all, nobody in these days is so brainless that he cannot see to his own advantage. After all, there is the tenant, there is his landlord, and they will try to get the best prices in the market. They will not sell their things in a place where they will not get money for it. I mean to say, when the Government comes forward and takes the championship of the zemindar, of the landlord and the tenant, it seems to me a very peculiar thing, because the

landlord and the tenant are not minors, they are not under the Court of Wards, they are grown-up men, they can see to their own advantage—I mean to say, which is the best market and where they can get the best price. I have seen people taking their products 40 miles in carts in order to fetch better prices. Well, in a case like this there are so many sugar-cane factories. The question which strikes me is that it is a very peculiar thing, Sir, that when the factories are springing up everywhere and the cane-grower can in these days of road facilities transport their cane to the mills, I do not know why Government should come and champion their cause. They have not had any representations from tenants or from landlords, at least nothing has been circulated to us, and I have never seen as a Member that any complaint has been made by the tenants or landlords that they cannot get good prices for their products. (*An Honourable Member*: “Are there many factories in your province?”) Well, there are two or three. But on principle, I object to the thing. Tomorrow somebody will come and say, “This land is yours but the product will be regulated by the Deputy Commissioner for you”. I do not like the idea that somebody should come and interfere with my business. It is a very peculiar thing. Tomorrow in this House the Leader of the House will come to me and say that I am to wear such and such a suit. I do not want such things to be dictated to me. As I pay the Government land revenue, I do not see why the Leader of the House or anybody should come and dictate terms to me because when I do not want his help why this help is coming I do not know. That is one thing that strikes me.

Another thing that is doubtful is this. Suppose a cane-grower wants to preserve his cane for seed and does not want to sell it at all; according to this Bill, he will have to sell it. That will be a peculiar provision. I want to be clear on that point—that if he wants to sell, he will get the minimum price, but if he wants to preserve it for the next crop, whether he will be compelled to sell it. That is one thing I am not sure of. Again, I am quite willing to admit that some tenants might not be able to secure better prices. If the Bill is brought in to champion their cause, in order to get for them a better price, I will be whole-heartedly for it. But if they want to take away the power from the cane-grower and the zemindar of the place where the cane is grown, I do not think that I can support the Government in any way. Today a Bill has been brought in for the cane; tomorrow it will be for wheat, the next day for barley, the next day for my own food, that I am to eat only one meal a day or two meals or no meals at all. This is a very peculiar thing. We are told that we are advancing. On the other hand, Sir, we are experiencing something very peculiar. When the British Government came, at least to the Punjab in 1849, there was no such regulation brought in. We were left to our own land; the thing was entrusted to us. We have not been defaulters in paying land revenue. If this Bill is to apply only to defaulters, then the Honourable the Leader of the House has some ground, and we will back him. But when the landlord is not a defaulter, when he pays the Government land revenue, and the tenant is not asking for help from Government, and the Government, of their own accord, come in and say, “Look here, I am going to make this law for you”, it seems to me a very peculiar thing. If Government help is not solicited, why should they come forward and put their finger in the pie and say that they will have this interference? Uncalled

[Major Nawab Sir Mahomed Akbar Khan.]

for interference, I call it. As I have not studied the Bill,—I came very late and did not study the Bill, that is why I did not want to speak. But as it concerns me a good deal, because I own a very big estate on the frontier, I am very doubtful about it. After listening to the speech of the Honourable Maharajadhiraja of Darbhanga it seems to me that there is going to be some interference with the produce of the landlord and the tenant. If there is going to be—

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :  
There is no such interference.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : I want that assurance not from my Honourable friends. They may say anything. The Honourable Saiyid Raza Ali was at pains to produce some new argument, some new meaning; but I think the Honourable Maharajadhiraja of Darbhanga, when he was asking, was asking the Honourable the Leader of the House. I have got my brains and I know the law just as much as any of these Members do. I do not want their interpretation of the Bill. I want the interpretation of the Honourable the Leader of the House. I am doubtful. If he clears the points, then I will support him. Otherwise, I will reject the Bill. It all depends on his explanation.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Sir, I did not expect really that I will have to answer so many questions, nor did I expect that there will be so many people entertaining doubts and suspicions, nor did I expect that my friend the Leader of the Opposition, the Leader of the Progressive Party, will entrench himself in the well-guarded citadel of capitalism. However, one ought to be prepared for surprises, and therefore I was not altogether unprepared to meet the debate that has actually taken place on this Bill. Just to analyze the debate, I think it will be best for me to allay the suspicions of the last speaker, my Honourable friend from the North-West Frontier. I know he is a very careful landlord and a still more careful controller and keeper of money. Therefore, anything which might even remotely appear to go anywhere near the things he is interested in, he is up in arms to see that he does not in any way suffer. I can assure him that this piece of legislation has been brought up at this particular time because of the Sugar Excise Bill. But independently of the Sugar Excise Bill, the need for it was visualized as long ago as last July when the Sugar Conference was held. The position as depicted to the Conference was something like this. There are a few factories in a large cane-producing area. Undoubtedly, the establishment of a factory in a sugar-cane-producing area raises the price of the sugar-cane, because it enables the producers of sugar to pay a better price for the sugar-cane than the growers are likely to get, if they take the sugar-cane for making *gur* or *shakkar*. But there are mills and mills, and there are managers, and managers. As was very frankly put by the Honourable Mr. Mehrotra, there are mills which have not quite been playing the game. We have at their gate 50 cart-loads of sugar-cane. Some come from a mile, others from five miles, others from ten miles. The manager says, "*Chale jao*, I do not want it". What is the man to do? He cannot take back the cane ten miles away. He cannot keep it there, because the manager of the factory says that he does not want it.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Can you force the sale on the factory ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : If you will possess your soul in patience and see the argument developed perhaps that question will be answered. The position he took up was that he did not want this cane, not because he actually did not want it, but because he wanted to beat him down in the price. While a fair price might have been anything between five and six annas, he would have either to take away his cane or, through generosity on the part of the manager, he may give him four annas or three annas. Is that fair ? Is that what Honourable Members want ? (*Several Honourable Members* : "No, no".) Again, a man has brought his cart load ; he has been kept waiting for a day or perhaps two with a cart-load of 50 or 60 maunds ; when the day is waning and he is anxious to get away, we were told in the Conference that they weighed it as they liked. That is surely not what the Honourable Members think is fair and square. The position disclosed was that when you put the wolf and the lamb together and advise them to co-operate, the next day that co-operation ends in the one being inside the other. Therefore it is obvious that the position cannot be left to itself to be settled. It will be settled, but in what way ? Again it is said you cannot force this price on people. But surely you cannot let the matter lie without making some effort. How difficult it is, was realized by the Sugar Conference and by Government when it went through the proceedings of the Simla Conference and the resolutions passed there. There were enormous difficulties in the way of taking any action which would be uniform throughout all provinces. It was also found that zoning was open to serious criticism, that fixation of prices was open also to very many difficulties. Further it was found there were varying conditions in different areas. Where factories were few and the cane crop large the problems were quite different from those where the number of factories was large and the area under cane was not very large. There the cane-grower was not as badly off as the places where the cane produced was large and in excess of the requirements of the factories. Well, Sir, either Government has to let these things take their course and let the stronger have his way while the weaker goes to the wall, or Government has to make an honest effort to see that the weaker has a fair deal. There is no doubt that the stronger should not get an undue advantage out of the position by virtue of his strength. That, Sir, is the ideal of the Bill. It very naturally gives rise to all the questions that have been put to me. I will presently state what I have to say in connection with those questions. Frankly, I am not prepared to answer each one of those questions, because we have not even in our own minds arrived at the solution for every one of the difficulties which have been pointed out to us. Why ? Because the difficulties and their solution must depend upon local conditions. The way a problem may have to be met in the United Provinces may not be the way in which it has to be met in Bihar, and what the Bihar Government may think to-day may be quite different from what it may think tomorrow. In July last the Bihar Government had one definite view, as was stated by the Honourable Maharajadhiraja Sir Kameshwar Singh of Darbhanga. But the pressure of public opinion in their own local Council was so great that I understand a committee had to be appointed. That committee met and reported

[Khan Bahadur Mian Sir Fazl-i-Husain.]

and but for the great misfortune which befell them in the shape of the earthquake the Local Government would have proceeded further with the report of that committee. However, it is not without consulting them that the present

7 P.M.

Bill has been produced. There are three essential points in this Bill. The first is that it is permissive. It does not compel every province to adopt it or to enforce it. The Government of India has been subjected to a good deal of criticism. "You should have made it apply to all provinces". We considered that matter very carefully and came to the conclusion that it was not right to do so. After all, it is not only that the question of provincial autonomy is involved in it, but also it is only Local Governments that are fully acquainted with local conditions and local problems, and the question of solving those problems is essentially within their knowledge rather than within the knowledge of the Government of India. The subjects with which this Bill is concerned are provincial subjects. Industries is a transferred provincial subject. Agriculture again is a transferred provincial subject. Co-operation similarly is a transferred provincial subject. Surely it would be entirely wrong on my part here in this Bill to go laying down a full scheme of how the thing should be done. It would never work. I claim, Sir, that in having left this Bill so bare and so elastic I have done the right thing. Again, not only was there the need for making provision, but since this Excise Bill has come before the Legislature the need became more pressing. The factory and millowner has a certain imposition fixed on him by Government. Some money has got to be paid out of what he gets. Will he give that money out of his hoard or will he try to pass on that imposition in its entirety or to a very large extent on to the cane-grower? It was felt, Sir, by Government that if it is correct that in many cases the cane-grower does not get more than four annas a maund, and if the factory owner paid him still less because of this excise duty, the condition of the cane-grower will need watching. If he is a tenant, the landlord will not be able to get much out of him. If he is himself a small landowner, he will not be able to pay either Government dues or anybody else. And even if he is a large owner but not at the same time a factory owner, he will find the profits not as much as he was entitled to expect. That is why, interrupting my honourable friend from the Frontier Province, I felt sure that he could have no doubt whatsoever as to this Bill being the thing that he stands for and supports.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : Sir, with your permission, may I just ask one question of the Honourable Member? I just want to know whether the tenant or landlord, if they do not wish to sell their cane, can be compelled under this Act to sell?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : There is no provision in the Bill which in any way compels the cane-grower to sell his cane. He might reserve it if he has enough money with him to pay his rent and pay his dues.

One of the best speeches made during the course of the debate was undoubtedly that of the Honourable Maharajadhiraja of Darbhanga and I claim, Sir, that that speech was a most eloquent justification for the measure under discussion. He placed most graphically before this House the condition in the countryside in Bihar; how interested people, ill-minded people, vicious

people were going about the country, so to speak, seducing poor cane-growers, cultivators of the soil from discharging their obligations and from doing their duty by themselves, their families and their landlords. If, Sir, these poor cane-growers found that the prices they were getting last year or even this year were not available to them next year, on account of the excise duty, would they believe they were being fairly treated? Would not the very persons who go among them asking them to refuse to pay their dues to landlords because they are being unfairly treated, have an excellent handle to use effectively in making them believe that they were the people for whom nobody cared, neither the landlord nor the Government, that they were the only people who sympathized with them and were ready to help them? Sir, the one safeguard the landlords of India have against all such evil-minded persons and against all subversive movements is to deal fairly and generously by their tenants and the object of this measure is not to prejudice the interest of landlords against tenants, nor the interests of factory owners against cane-growers, but to afford the requisite machinery to see that no one class imposes its will on the other, but that their differences, their business arrangements are settled in an amicable manner, in a manner which is free from all show of force, passion or violence. What really is in the Bill? I had mentioned that it consists of three clauses only. Clauses 3 and 4 make provision for proclaiming controlled areas and fixation of prices. Clauses 5 and 6 lay down the penalty; clause 7 gives the rule-making power. Clause 7 would show that at every stage what is wanted is affording machinery for different interests to come together; whether it is the factory owner or it is the cane producer, whether it is the tenant or his landlord, the object of this measure is that advisory committees be established, so that all these interests may come together and talk matters over. Factory owners can say, "We are making very little". If they are honest and straightforward, they would be ready to bring forward their books and establish their case. Tenants may say, "We want ten annas, twelve annas"—some fictitious price. They will be told, "That is all nonsense: you would probably get two or three annas; if we can give six annas it is very good". Therefore the object of this Bill is to afford Government help, assistance, to bring all these varying interests together, so that they may compose their differences, arrive at settlements and the whole thing settled smoothly instead of as if they were all at war. They would be at war if something were not done. There would be no co-operation unless something were done. What is that something which can be done in order to do away with these alternatives? What other alternative can any one of us here offer? I said in my first speech that this Bill is by no means perfect. I myself do not claim that it is a sort of panacea for all the ills from which the cane-grower suffers.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: It is only a skeleton Bill.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: I can also indulge in these innuendoes. It is a skeleton Bill for only those who wish to convert cane-growers into skeletons, but for those who mean to play fair with them this Bill can afford every reasonable facility to do the right thing. But you cannot make those who do not want to do the right thing to do it by legislation. This Bill, as I said, can prove a very useful weapon for those who wish to bring the clashing interests together. I do not say that it is such a

[Khan Bahadur Mian Sir Fazl-i-Husain.]

weapon that it cannot be abused. It can be abused. Whether the number of those who would abuse it will be greater than the number of those who will use it for good purposes has to be seen, as also whether the country has developed public opinion which will see that the number of those who want to render beneficial social legislation useless is small or great. I trust the number of those who want to compose differences is already increasing and I trust it will continue to increase. The future of India depends upon that class increasing and the class which makes for disruption decreasing. Sir, it is with every confidence that I commend this Bill to the House and I trust that it will prove efficacious in such provinces in which it would be used. (Applause.)

THE HONOURABLE THE PRESIDENT : The Question is :

“ That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

The Council then adjourned till Ten of the Clock on Friday, the 27th April 1934.

## COUNCIL OF STATE.

*Friday, 27th April, 1934.*

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The Council met in the Council Chamber of the Council House at Ten of the Clock, the Honourable the President in the Chair.

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### QUESTIONS AND ANSWERS.

#### INSPECTORS AND LOWER SELECTION GRADE SORTERS OF THE RAILWAY MAIL SERVICE.

156. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Is it a fact :

(a) That in the Posts and Telegraphs Department, Railway Mail Service, inspectors and lower selection grade sorters were till 1927 borne on separate cadres ?

(b) That in 1927 the two cadres were amalgamated and posts of lower selection grade sorters and of inspectors were made interchangeable ? and

(c) That in 1932 the two cadres were again separated ?

THE HONOURABLE MR. D. G. MITCHELL : (a), (b) and (c). Yes.

#### INSPECTORS AND LOWER SELECTION GRADE SORTERS OF THE RAILWAY MAIL SERVICE.

157. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : (a) Is it a fact that some 20 or 22 officials who were formerly employed as inspectors, and subsequently a few months before the issue of the orders in 1932 of separation of the cadres of inspectors and lower selection grade sorters were ordered to work as lower selection grade sorters, were not allowed to revert to their cadre of inspectors after the separation 1932 ?

(b) If the answer to (a) is in the affirmative, will Government kindly quote the rules or regulations under which the officials in question were debarred from restoration to their original cadre ?

(c) If there be no rules and regulations, will Government state the reasons for the orders passed ?

THE HONOURABLE MR. D. G. MITCHELL : (a) There have been a few such cases but Government are not aware of their exact number.

(b) and (c). An extract from the Director General's Circular on the subject is laid on the table.



*Extract from the Director General's Special General Circular No. 46, dated the 3rd March, 1932, referred to in the reply to part (b) of question No. 157.*

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3. A separate cadre will be maintained for Inspectors of Post Offices (including investigating Inspectors and Town Inspectors attached to 1st class head offices) and Head Clerks to Superintendents of Post Offices and these posts will be interchangeable. A similar cadre will also be maintained for Inspectors, Railway Mail Service.

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9. These orders will have effect from the 15th March, 1932.

#### METHOD EMPLOYED IN RECRUITMENT OF INSPECTORS AND LOWER SELECTION GRADE SORTERS TO THE RAILWAY MAIL SERVICE.

158. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Is it a fact (a) that the examination for recruitment to lower selection grade sorters has been abolished and (b) that recruitment to the inspector's line is made by an examination ?

THE HONOURABLE MR. D. G. MITCHELL : (a) and (b). Yes.

RESTORATION TO HIS ORIGINAL GRADE OF INSPECTOR OF BABU GOVIND PRASAD TANDON, RAILWAY MAIL SERVICE.

159. THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Is it a fact that Babu Govind Prasad Tandon, an Inspector of 12 years' standing and one of the said officials referred to in question No. 157, was debarred from restoration to his original grade in spite of the facts that (a) he never in his entire career worked as a sorter, (b) the order calling upon him to work as sorter was cancelled even before the amalgamation in March, 1932, and (c) he was allowed to work as Inspector up to October, 1933, i.e., for a year and a half after the separation of the two cadres ? What action does Government propose to take in this particular case ?

THE HONOURABLE MR. D. G. MITCHELL : As regards the first part of the question, I understand that the facts are more or less as stated.

As regards the second part, Government do not propose to take any action.

#### PERCENTAGE OF BENGAL MUSLIMS TO THE WHOLE MUSLIM POPULATION IN BRITISH INDIA.

160. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (on behalf of the Honourable Khan Bahadur Syed Abdul Hafeez) : Will Government be pleased to state :

(a) The percentage of Bengal Muslims in relation to the whole Muslim population in British India ?

(b) The percentage of literate Bengal Muslims in relation to the literate Muslim population of British India ? and

(c) The percentage of Bengal Muslims in the Government of India services, both in the Secretariat and in other offices controlled by them, in relation to the Muslims of other provinces so employed ?

THE HONOURABLE MR. M. G. HALLETT : (a) About 41 per cent.

(b) Literate Bengal Muslims form about 38 per cent. of the total literate Muslim population of India as a whole (excluding Burma). Figures of the total literate Muslim population of British India are not available.

(c) I regret that the information is not readily available and cannot be collected without an amount of labour which would be wholly disproportionate to the results.

**REPRESENTATION OF BENGAL MUSLIMS IN SERVICES UNDER THE GOVERNMENT OF INDIA.**

161. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (on behalf of the Honourable Khan Bahadur Syed Abdul Hafeez) : Has it been represented to Government that there is a feeling in Bengal that since there is no Bengal Muslim representation in the Viceroy's Executive Council or in the Public Service Commission, the just claims of the Bengal Muslim community for adequate representation in the various services under the control of the Government of India are not given due consideration ?

THE HONOURABLE MR. M. G. HALLETT : No. I would add however that Government have not undertaken to secure representation for provinces, either generally or in terms of particular communities. Muslim candidates from Bengal have equal opportunities with those from other provinces in securing employment in the services in question and it would be contrary to Government policy to take any special action in regard to them.

**NUMBER OF BENGAL MUSLIM INDIAN CIVIL SERVICE OFFICERS SERVING IN THE GOVERNMENT OF INDIA SECRETARIAT.**

162. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (on behalf of the Honourable Khan Bahadur Syed Abdul Hafeez) : (a) Will Government be pleased to state the number of Bengal Muslim Indian Civil Service officers in the Imperial Secretariat ?

(b) Is it a fact that there is no Bengal Muslim Indian Civil Service officer in the Imperial Secretariat and in other offices under the control of the Government of India ?

(c) Do Government propose to appoint some Bengal Muslim Indian Civil Service officers in the Imperial Secretariat and in other offices under the control of the Central Government ? If not, why not ?

THE HONOURABLE MR. M. G. HALLETT : (a) None.

(b) and (c). The position may be as stated in (b), but in making appointments to superior posts in the Secretariat, the possibility of obtaining suitable and competent Indian officers from different provinces is always considered. There is, however, no question of communal representation in posts of this nature, which are filled on the basis of merit and suitability.

**NUMBER OF BIHAR AND ORISSA MUSLIMS SERVING IN THE GOVERNMENT OF INDIA SECRETARIAT AND ATTACHED OFFICES.**

163. THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI CHETTI (on behalf of the Honourable Khan Bahadur Syed Abdul Hafeez) : Will Government kindly state the number of Bihar and Orissa Muslims separately employed in the Government of India Secretariat and its attached and subordinate offices as (a) superintendents, (b) assistants, (c) clerks, and (d) typists ?

**THE HONOURABLE MR. M. G. HALLETT :** I regret that Government have not the information the Honourable Member desires and are not prepared to place upon departments the burden of collecting it. As already explained in reply to question No. 161, Government have not undertaken to secure representation from provinces either generally or in terms of particular communities.

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#### DEATH OF THE RIGHT HONOURABLE SIR DINSHAW MULLA.

**THE HONOURABLE THE PRESIDENT :** Honourable Members must have heard with profound sorrow the news of the sad and untimely death of the Right Honourable Sir Dinshaw Mulla, who was some time ago Law Member in the Government of India. Sir Dinshaw Mulla was a great scholar and an erudite. He started life as a solicitor and after a few years of successful work in that profession his natural propensities led him to go in for the Bar. As an advocate he made a great reputation in the Bombay Presidency and within a short time of his professional career he was elevated to a High Court Judgeship. There he performed his work with great distinction and despite very heavy work and laborious hours of official duties he wrote several monumental legal works which enhanced his reputation as a great lawyer. He was later on selected for the office of Law Member here during the absence on leave of the late Mr. S. R. Das and here he acquitted himself very well. He was also appointed a Member of the Assembly and took his seat in that House especially to deal with an important Bill, namely, the Sale of Goods Bill. Later on, his great merits, his scholarship, and his profound knowledge of law secured for him a seat on the Judicial Committee and he was appointed Privy Councillor by His Majesty's Government. His works have always been quoted with great esteem and respect in the High Courts of India. He contracted a serious illness during his term of office on the Judicial Committee and returned to India last year and he died suddenly yesterday morning. I feel certain that this Council is profoundly sorrowful to receive this news and that it is your desire that I should communicate to his bereaved family the sympathy and condolence of this House.

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#### SUGAR-CANE BILL--*continued.*

**THE HONOURABLE THE PRESIDENT :** We will now proceed to deal with the clauses of the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly.

Clause 2 was added to the Bill.

**THE HONOURABLE THE PRESIDENT :** Clause 3.

**THE HONOURABLE SAIYID RAZA ALI** (United Provinces : Nominated Non-Official) : If I stand this morning it is not with a view to make a speech, since we have had quite a sufficiency of speeches since yesterday. I pointed out, Sir, in the course of the first reading, that it was not at all clear why power has been reserved under sub-clause (2) of clause 3 by the Governor General in Council to fix minimum prices for the purchase of sugar-cane. The Bill is

more or less of a purely provincial character and but for certain considerations, to which reference was made yesterday, similar Bills in all likelihood would have been introduced and passed by the Provincial Legislatures concerned. It is no doubt convenient to have a measure of this character before the Central Legislature as it does away with the necessity of having a similar measure in every Council but after all this Act is to be administered by the Provincial Governments. As a matter of fact the whole show is a show of the Provincial Government and not of the Central Government. That being so, Sir, I do not know what is the object of giving certain powers under this sub-clause to the Governor General in Council—

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA** (United Provinces (Central: Non-Muhammadian): Can an Honourable Member make a speech on a clause unless he wants to oppose it and wants deletion from the Bill?

**THE HONOURABLE THE PRESIDENT:** Any Honourable Member is entitled to speak on clauses when they come up for consideration.

**THE HONOURABLE SAIYID RAZA ALI:** This is a point, Sir, on which information would be welcome to this House.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN** (Education, Health and Lands Member): Sir, the point taken is. Why is this power taken? Well, it has been taken at the suggestion of provinces. Why have the provinces desired the Government of India to take that power? Because, as we all know, the best of neighbours have a chance of not always agreeing. If by any chance as to the minimum price two neighbouring provinces did not see eye to eye, if one feels that the other is fixing a price which is distasteful to one, one wishes the Government of India more or less as an arbitrator composing that difference and seeing that the differences do not go any further. It is for this reason that this reservation, so to speak, is made. If the Government of India do not reserve to themselves the power to do this, whenever a dispute arises between two provinces, no doubt some machinery could be devised, some sort of arbitration to settle a small matter like this. But it was felt that on the whole it would be better if the power vested in the Governor General in Council.

**THE HONOURABLE THE PRESIDENT:** The Question is:

“That clause 3 stand part of the Bill.”

The Motion was adopted.

Clause 3 was added to the Bill.

Clauses 4 to 8 were added to the Bill.

**THE HONOURABLE THE PRESIDENT:** Clause 1.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA:** Sir, I beg to move:

“That sub-clause (3) of clause 1 be omitted.”

Sir, the object of this sub-clause is the same as what the Leader of the House expressed in answer to the speech made by my Honourable friend from the North-West Frontier Province. By this sub-clause Government make the Bill permissive for the provinces to take it up or throw it into the waste paper

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

basket. Sir, we are afraid that the result will be that the factories working in one province where the Bill has been taken up by the Local Government would be at a disadvantage as compared with factories working in another province where the Local Government has not adopted this Bill, because in the province where this Bill will be taken up they will fix a minimum price. Whether it will be practicable or not I do not know. I have got my own doubts. But the factory owners will have to pay a certain price, whereas in the province where this Bill will not be taken up the factory owners will be at liberty to pay as much as they like. Sir, at the Conference that was held in Simla in July last, there was a great divergence of opinion on this measure. It was only the United Provinces represented by the Honourable Mr. J. P. Srivastava who pressed for this measure. The other provinces either opposed it tooth and nail or expressed their doubts over its utility. In these circumstances, Sir, I think the other provinces may not enforce the Bill and the whole burden may fall on the United Provinces. There are a large number of factories in Bihar. I find that the representative of the Bihar Government was totally against the views placed before the Conference by Mr. J. P. Srivastava. With your permission, Sir, I will read the views expressed by the Bihar Government in the Conference. The Bihar Government was represented by Mr. H. C. Prior, who spoke on behalf of that Government and said :

“ The view of my Government is that any legislation for zoning, licensing of factories or fixation of cane prices is impracticable and will go against the interests both of the cane-growers and of the development of the industry ”.

He also, later on, said :

“ The sugar-cane was then the most profitable crop for the ryot to grow ”

and observed that a fair price was generally paid for cane and it seemed likely that in North Bihar the ordinary rules of supply and demand will result in a fair price being paid in the future. He concluded by saying that

“ The Bihar Government considered that it would be absolutely impracticable to enforce by legislation the payment of any minimum price ”.

So, Sir, the Bihar Government was definitely opposed to this measure, and their representative, the Revenue Secretary, placed their views before the Conference. Sir, it was not only Bihar. Bengal was also opposed to this. Dr. G. P. Hector, Director of Agriculture, Bengal, observed that the Bengal Government's view was that legislation was not necessary. All that they were anxious about was that nothing should be said or done at this stage of the industry to frighten away capital. Sir, the Madras Government was also opposed to the Bill. The Madras Government was represented by the Honourable Diwan Bahadur Kumaraswamy Reddiar, Minister of Education and Excise. He remarked that so far as the Madras Government was concerned, they had at that time no intention of introducing legislation in the Local Legislature. Sir, Bombay was also against this measure. The Bombay Government was represented by Mr. V. V. Gadgil, who, speaking on behalf of the Bombay Government, said that they had not so far considered nor had they under contemplation any Bill for fixing up prices or zoning or licensing. The Punjab Government was represented by Dr. Gokal Chand Narang, the Minister, and he also expressed his doubts and was against this measure. I have already quoted his remarks

yesterday and therefore need not quote them again. It was only the United Provinces Government, represented by the Honourable Mr. J. P. Srivastava who pressed for this view. Considering the views of all these Governments, we are afraid that if this sub-clause (3) remains the result will be that it will be taken up by the United Provinces Government but not by the other Governments, and so the factories in other provinces will have an advantage of paying less for their cane and hence getting more return than the factories of the United Provinces. Now, Sir, with your permission I will also mention the views of His Excellency the Governor of Bihar and Orissa. A Sugar Conference was held at Patna on the 4th January, 1934. In inaugurating the Conference His Excellency the Governor pointed out clearly a few practical objections with regard to the fixation of prices or minimum prices of cane in his address in opening the Conference and said that he was diffident. He observed that a fair price for cane in one locality was not necessarily a fair price in another and a common formula might work out most inequitably for both contracting parties. Moreover, he added, that if a factory was prohibited from buying cane below a certain price there was no compulsion either moral or material for it to continue to work for a single day after the season ceased to be profitable, and it might be that the unsaleable surplus for the cultivator would be increased and be turned unprofitably into *gur*, fed to the cattle or used as field manure. He also pointed out that by fixing a minimum price the cultivator might get better paid for a part of the crop but on the whole might find himself worse off on account of the large waste involved by early closing down of the factory. He concluded by saying that the problem of ensuring that a minimum price fixed by the Government should reach the actual grower of the cane was one of the most difficult in the present situation. So, Sir, that Conference was not agreeable upon this measure. I find that in the teeth of the opposition from all the Provincial Governments the Bill is being enacted and then it is made permissible. It will certainly hit hard the United Provinces. When I say this I am also speaking for the benefit of the agriculturist, because, as pointed out, these difficulties will crop up. It is very difficult to fix the quality of the cane and most of the cane is not of that improved variety for which I think the price will be fixed. Even if a sliding scale is fixed I am of opinion that it is very difficult to fix a scale for dry cane or half-dried cane or cane which gives much or less sacrose. There are so many things involved in this. Therefore I agree with the views of all these Local Governments that it will ultimately go against the cane-growers and the measure instead of doing any benefit is likely to do harm to them.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I HUSAIN : I have not been quite able to understand what the Honourable Member has in view. Does he think that by this amendment the Act will become unenforceable in any province ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : It should be for the whole of India or for no part. That is my object.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Then he thinks that by the elimination of sub-clause (3) of clause 1 one of the two objects will be attained, one being that the Act will become unenforceable in

[Khan Bahadur Mian Sir Fazl-i-Husain.]

any province, or that it will be compulsorily enforced in all provinces. Well, before explaining once more what Government's policy is, may I invite his attention to clause 3, which has already been passed by the House, showing that Local Governments will possess the power to create these controlled areas and to fix prices. Therefore one of his two objects, that it should not be enforced in any province, cannot materialize. Therefore he recognizes and admits that his amendment cannot make the Act unenforceable in any part of India. Now, let us see whether his second object, that it should be compulsorily enforced throughout India, is achieved by the omission of sub-clause (3). If he again refers to clause 3, which is the enabling clause, he will see that it does not compel any Local Government to enforce the clause. Therefore the elasticity which is the very essence of the Bill remains and it will be open to the United Provinces Government to enforce it tomorrow and it will be open to the Bihar Government to refuse to enforce it for five years. Therefore, obviously my Honourable friend cannot achieve either object he has in view by this amendment, which I trust therefore he feels it unnecessary to press.

Now, as regards the desirability or otherwise of his two objects, they go contrary to the very principle of the Bill and therefore I cannot accept the amendment. I take this opportunity of making one comment on my Honourable friend's speech and of repeating what I ventured to submit yesterday. Honourable Members will find that it pays to obtain their information and knowledge from original authorities rather than from extracts quoted by a propagandist publication. If my Honourable friend had taken the trouble to study the Sugar Conference proceedings, he would not have got himself involved in making allegations which are not borne out by the proceedings of the Conference. For instance, he said all provinces excepting the United Provinces opposed the proposal. That is not a fact. I happened to preside over the Sugar Conference. What the Punjab, Madras and Bengal said was

"We have either no sugar factory, or perhaps one or two. The problem has not arisen in our province. We are not in a position to say what should be done, nor has there been any trouble in our province which would have led us to inquire into the matter and form an opinion".

The Sugar Conference was quite clear that there were but two provinces in India, the United Provinces and Bihar, which were concerned and they held opposite views. Therefore to begin to name—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : May I know if the Sugar Conference arrived at any conclusion on this point ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Here, again, my Honourable friend would never have put that question if he had even cursorily glanced through the proceedings of the Conference ; he would have seen that there were certain resolutions passed. There was resolution No. 1 passed which dealt with this question. There was, again, another resolution concerning legislation. He has talked about divergence of opinion. There was a world of divergence of opinion. The representatives of sugar-cane growers said they wanted protection. The representatives of

millowners said, with the honourable exception of one or two British firms,

“ They want no protection ; they are getting too much already ; Government should not interfere. This is very important. Why should Government interfere ? They are getting much more than they used to ”.

There were representatives of Government and sugar-cane-growers saying that factories were making a good deal of income. Some representatives of millowners kept discreet silence, while some took it upon themselves to say that they were running at a loss. Such divergence of opinion, I presume, must exist in all human affairs. The human element is there. Self-interest is there. Class interest is there ; but it devolves upon those who have to conduct the affairs of the country to see that class interests do not swallow up the interests of the country as a whole or the interests of all persons concerned, and it is this which it is hoped Provincial Governments will be able to do better if they acted within their powers which this legislation hopes to invest them with. Sir, this is really wide away from the point. The main point in the discussion was my Honourable friend's amendment. He recognizes that it does not serve the end he has in view. Therefore I hope the House will reject it in case he does not withdraw it.

The amendment\* was, by leave of the Council, withdrawn.

THE HONOURABLE THE PRESIDENT : The Question is :

“ That clause 1 stand part of the Bill.”

The Motion was adopted.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Education, Health and Lands Member) : Sir, I beg to move :

“ That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be passed.”

In view of the lengthy discussion we have already had, I do not think the House would like me to make another speech.

Sir, I move.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I rise to oppose the passage of this Bill. I may at the outset mention, Sir, that I practically own no interest in any sugar mill in India, nor have I a proprietary sugar mill of my own, so that my position becomes quite clear, that I deal with this Bill as a landlord and not as an industrialist concerned in the industry. The Honourable the Leader of the House, when I interjected during his speech yesterday, and termed this measure as a skeleton measure retorted and said it would appear as a skeleton to those millowners who tried to convert the cane-grower into a skeleton. I say, Sir, that that remark will equally apply to the Government when they like to use this measure and to turn a sugar mill concern into a skeleton. The Honourable the Leader of the House yesterday during the course of the speech which he delivered after I interjected clearly admitted that this Bill was liable to be abused. Sir, to frame a measure which can be easily abused and to ask that measure to be passed is a matter which I leave to Honourable Members to judge for themselves. I called this Bill a skeleton Bill, because it does not

\* Vide page 935, ante.



[Rai Bahadur Lala Ram Saran Das.]

lay down any fundamentals as regards the determination of the prices of various classes of cane. It gives practically a blank cheque to Provincial Governments. Whenever we wanted to move any matter in this House which was a provincial transferred subject, the reply which we used to get here was that it was a matter for the Provincial Councils to deal with. The Honourable the Leader of the House has just said, in reply to my Honourable friend Rai Bahadur Lala Mathura Prasad Mehrotra, that this Bill when passed into law may or may not be adopted by the provinces. That shows that there is no necessity of putting this Bill in the Central Legislature because this is not even at this stage intended to be an all-India measure. It would have been much better if the Local Councils had not been usurped of their legitimate function. Yesterday the Honourable the Member for Agriculture eulogized the speech of my esteemed friend the Honourable the Maharajadhiraja of Darbhanga. He praised his speech very much and said it was a very eloquent speech and so on, but he failed to deal with the principal points raised by the Honourable Maharajadhiraja. I should like to ask the Member for Agriculture by what criterion they will fix the fair price of cane? This Council has a right to know from him how that will be done, how the various grades of cane will be classified and who will decide the quantity of juice, after being exposed to the sun for any number of days, in various factories and during its working hours?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Who decides now?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Now it is decided by the mill experts who know their job well. I am afraid if this Bill is passed into law the matter will probably be put into the hands of some subordinate official who will invariably not be competent.

Sir, I should also like the Honourable the Member for Agriculture to say what return does the Government propose to give to the cane-grower on the sugar-cane that he produces. Sir, I consider this measure to be the thin end of the wedge as regards interfering in the working of the industries. It is a very bad precedent and an unprecedented and novel sort of legislation which the Government has introduced to regulate the price of the raw material. I do not think there is a parallel in the world of this sort and I would also like to know from the Honourable mover of this Bill whether this Bill is the first of its kind or whether other raw materials will be similarly dealt with? I welcome a measure which raises the price of agricultural produce but at the same time I do not want a pious Act and a pious wish enacted in this House in the shape of the thin end of the wedge. My own conviction is, Sir, that even if this measure is passed in this House, which I hope it will be—

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Hear, hear!

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS—there will not be any hope of successfully working it. The Leader of the House has been pleased by my remark that it will be passed by this House. I am sorry to say, Sir, that this House today, when the presence of the elected Members

is very meagre, cannot prevent any measure from going through at the tail end of the session. Sir, my Honourable friend, the Nawab Sahib of Hoti, rightly observed yesterday that he did not like the Government to interfere in the fixation of the prices of agricultural raw produce. I know it as a fact, Sir, that in the Punjab and in other provinces efforts by the agriculturists are being made to get the revenue and the water-tax reduced because the prices of produce have fallen. The settlement departments in various provinces have at intervals of a certain number of years revised the settlements with a view to enhance the revenue. The time has now come when the enhancement of revenue has become impossible and perhaps Government will use this way to temporarily raise the prices of raw materials and thereby probably to enhance or to justify their land revenue. Sir, yesterday when I observed that out of the extra revenue that the Central Government will get out of the sugar excise duty the grant to the Agricultural Research Institute be doubled, the Honourable the Leader of the House observed that we did not appreciate the working of the Agricultural Research Department. We, Sir, fully appreciate the work which the Agricultural Research Department is doing and that was the reason why I wanted the grant to be doubled. As far as cotton, wheat, sugar-cane, etc., are concerned, it has done a great deal in that direction. In the Punjab the Coimbatore type of sugar-cane has been introduced which has added to the earnings of the agriculturists and has also been a great factor in not allowing the cane to be stolen for chewing purposes. Instead of telling us whether they will or will not double the grant to the Agricultural Institute, the Honourable Member fell into platitudes and there he ended without making a definite statement. He simply said their activities will be enlarged but he did not say to what extent the activities will be enlarged and what further allotment of funds from that extra income will be devoted to this purpose.

Then, Sir, my Honourable friend, Nawab Mohammad Hayat Khan Noon, was much surprised at my opposing this Bill. He was surprised because I being a landlord ought not to have opposed the Bill. I think the Honourable Nawab would be amply satisfied by the arguments that I have put forward now, and will see that there were some reasonable grounds for my opposition. I want the prices of the agricultural produce to be raised. I want all measures which can be effectively worked to be passed which will actually result in raising the prices. But I do not want to let a precedent be created which will interfere with the working of the industries and which may lead possibly to their destruction.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON :  
Is it not a matter to raise the price of sugar cane ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It seems so but my Honourable friend does not realize that nobody in this world can dictate prices. A world dictator in the United States of America is now dealing with this very difficult problem and how far he will succeed is a problem before the world. To plunge into such violent experiments in my opinion is imprudent and unwise. It is a question of supply and demand. Supposing the Government fixes the price of the cane at a certain figure which does not suit the sugar factory near it, what would be the result ? The question is whether the price which is now being realized by the cane-growers in the various provinces is more than what it used to be before, or whether that price is not more than the price

[Rai Bahadur Lala Ram Saran Das.]

upon which the Government assessed their land revenues and the water rates in various provinces. I should like the Honourable the Member for Agriculture to give us some figures whether the cane prices which are being realized now by the cane-growers are the same as they used to be five years ago. Are those prices the same on which the various assessments of land revenue were made? If the sugar factory refuses to buy cane at that rate, what measures will Government adopt to dispose of the cane at a fixed price of those people for whom they have allotted a certain area? Supposing a particular cultivator stands in need of money and he wants to dispose of his cane a little below the price which has been fixed by the Government. What will that man do? Cane is a material which if exposed to the air and sun day by day begins to dry up. The more you store it, the more it dries. Sir, taking all these points into consideration, I am strongly of opinion that this Bill is an unworkable Bill and ought not to be adopted by this House. I consider, Sir, that this Bill is an indirect addition to the excise duty. It is also an indirect way of raising taxation or revenue, because my own impression is—in case I am wrong the Honourable the mover will put me right—that the object is more to justify the continuance of the present high land revenue and anything else which has prompted this Bill to be launched. The Honourable the Leader of the House himself admitted yesterday that this Bill was simply being introduced because of the Sugar (Excise Duty) Bill and so of course the reason becomes patent. The Government yesterday, through the Honourable the Leader of the House, expressed a great deal of sympathy for the poor agriculturist. When we see in actual practice whether this wish is sincere and whether Government actually do anything to help materially the agriculturist, I am sorry that the impression we get is otherwise. In the Punjab, the zamindars made a hue and cry that as the prices of the various stuffs have fallen, land revenue and water rate should be reduced. They also claimed that when Government was making from 35 to 42 per cent. on the various canals—on some of the Punjab Canals the Government are making more than 40 per cent. rent—is that the way to help the agriculturist? Why should not Government have a reasonable return upon the investment they have made on the canals? Sir, they have taken this one measure to show that they will be able to increase the price.

I understand that this Bill was originated by the gifted Governor of the United Provinces. That is my impression, Sir. I may be wrong in that. But that is what the general impression of the public is, that this Bill was originated by His Excellency Sir Malcolm Hailey. Sir, the object underlying the Bill of course is laudable, because it poses anyhow to help the agriculturist. But, Sir, I would request the Honourable the mover and this Honourable House to leave this matter to the discretion entirely of the Local Councils and of Local Governments. In case they consider that there is any necessity for such a measure being introduced, they can introduce this measure in their province. I dislike such a measure being thrust upon the provinces. If this is the beginning of autonomy which the various provinces are soon to have, I think it is a very bad augury. The Honourable the Member for Agriculture also observed that there were only one or two sugar factories in the Punjab. I might mention for his information that I know of more than six or seven factories—

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : There are 12 factories in the Punjab.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : My Honourable friend says that there are 12 factories . . .

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : Old ones.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Can you give me the date on which these 12 factories existed ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Well, Sir, I will try to give the information I have and to mention the places.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : There is no use mentioning places. I want time. I want to know whether these factories existed on the 1st April, 1933, and, if so, how many ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I understand the factory at Sonpet, the factory at Amritsar, the factory near Batala, and the factory near Gujranwala existed before that date.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : In working order on 1st April, 1933 ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Yes, that is my information.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : There is no old factory at Gujranwala. One was started last June or July. I know Gujranwala. I was there nearly five years. The factory was started in June or July and it might have been completed last January. As regards the factory at Amritsar, it is not a factory for making sugar from sugar-cane but it is a factory for making sugar from *gur*. Similarly, the other factories, so far as I know, are factories for making sugar from *gur*. Besides Sonpet, I do not know of any other cane-crushing factory before last year.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Well, the Honourable Nawab Sahib has made a distinction between factories which turn out sugar from sugar-cane and sugar from *gur*. I find no such difference. The Amritsar factory has been in existence for a number of years now.

THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN NOON : This Bill is not for fixing the price of *gur*. It is for fixing the price of sugar-cane. It does not affect these factories.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : It does affect these factories because, after all, the price of *gur* will be based on the price of sugar. On principle when you give protection to a certain industry, upon the recommendation of the Tariff Board, and turn round after the lapse of a very small period to begin to impose an excise duty is a departure which I very much deprecate.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I thought we had finished with that Bill yesterday !

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** This Bill, Sir, is part and parcel of that Bill. The Leader of the House himself observed in moving for consideration of this Bill that it followed  
 11 A. M. as a consequence of the other Bill, as it concerns the raw material for sugar production. I think my argument equally applies. With these few words I oppose the passage of the Bill.

**THE HONOURABLE MR. HOSSAIN IMAM** (Bihar and Orissa : Muham-madan) : I am afraid when I spoke at the second reading I was misunderstood by some of my friends and I wish to clear up the points. I did not oppose this measure because I regarded it as harmful to the agriculturists. I oppose it because I find it insufficient. It does not remedy even a substantial part of our trouble, the agriculturists' troubles. I am going to recite those and give suggestions. If it was a measure which cured our ills we would have welcomed it with open arms. Even if it had been a palliative we would have been grateful. But when we find that instead of either, we are being administered a narcotic which will benumb our senses we cannot but oppose it. The requirement of the agriculturists is more money. All other things are a means to that end. Therefore, in order to increase the purchasing power of the agriculturist we ought to go deeply into their troubles and find out what they require. My own diagnosis is that we want better qualities and more productive varieties of cane to be produced by the growers. It would matter little whether we get five annas or four annas per maund, if we can produce only 100 maunds an acre. But if we produced 250 maunds per acre and got only four annas per maund we would be much better off. It is for this reason that when this protective measure was before the House in 1932 I appealed for the agricultural aspect to be looked into. Now, again, I appeal to the Government to increase the productivity of the land in which cane is grown by introducing better varieties and by making arrangements to supply manures at cheaper rates. Then our requirement is that we should have facilities for transport. If we can bring our canes from greater distances at cheaper cost it would be profitable for us to dispose of a greater quantity of cane than we are disposing of now. Then, the greatest difficulty of all from which the Indian agriculturist suffers is the want of credit facilities. For this purpose we tried our best during the Reserve Bank discussion, and we have tried before and since, to get more facilities in this direction. If it were found possible for Government to help the agriculturist to tide over their difficulties we could hold out and we could dictate our prices to the millowners. If we have no credit facilities then the provisions of this Act will not be able to give us the relief which we want. In this connection I should like to make a suggestion to the Honourable Member and if he finds it feasible he may adopt it on some other occasion. Some industries have imposed a cess upon themselves. If we could have a cess, say, of a pie per maund, to be paid by the sugar-cane-growers and a pie per maund to be paid by the mills also, with a contribution of a like amount from the Government, to make a fund to provide credit facilities for sugar-cane growers, it would be very helpful to the growers. Sir, I am afraid when we suggested during the discussion of the last Bill a grant of more money to the Agricultural Department, that good intention of ours was not appreciated by the Member in charge. We had no axe to grind. We

simply wished that this Department which is somewhat like the transferred and nation-building departments in the provinces should get its due share and, if necessary, more than its due share. As far as this Bill is concerned, my Honourable Leader has said that it would have been better if the Provincial Councils had been left in charge of these things instead of the Provincial Government. The Councils do not come in anywhere in this measure and this being a transferred subject we regard every encroachment either by the Local Government or by the Government of India with a certain amount of suspicion. And the only justification which there could be for bringing forward a Bill in the Central Legislature would be to establish uniformity in an all-India industry, the uniformity lying in the price that could be fixed. If a minimum price were to be fixed by this Bill, that no matter what variety it is or what kind of cane it is, it shall not be sold at less than four annas, then there would have been some justification for bringing forward a measure in the Central Legislature. Without any quantum of the minimum price being fixed by the Central Legislature, the whole basis of bringing a measure in the Central Legislature disappears, because of all the other matters the Provincial Councils are better judges and they could have better disposed of them. As it is now, we find that either the Government of India or the Local Governments will function to the exclusion of the Provincial Legislatures. Sir, my own diagnosis is that this Bill was more or less a vote catching Bill, brought as a bait to the agriculturists in the Assembly and the Council of State to placate them and to get their support to the bigger measure, the Sugar (Excise Duty) Bill. As it was brought forward with that intention the result was that the Bill suffers from want of foresight and a certain amount of rawness. It is not well considered.

Sir, as regards the point about which my Honourable friend Saiyid Raza Ali twitted me by saying that some of my suggestions could not be reconciled with each other—about the way in which millowners could override this measure—I thought that when even a novice like myself knows that it is permissible to enter alternate pleas, he would not take me to task for playing the game which his profession has been playing for a long time. It is the privilege of the defence to enter alternate pleadings, not of the prosecution. Here, Sir, the Opposition is in the happy position of being the defence. Sir, this Bill although it might do a certain amount of good—no one can deny that—

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: No, it is denied by your Leader!

THE HONOURABLE MR. HOSSAIN IMAM—it is capable of doing such a slight measure of good in comparison with our troubles, that I think Government would have been better advised to bring forward a more comprehensive measure—a well thought-out measure—than the present measure.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central: Non-Muhammadan): I have made my position clear yesterday that I am for the fixation of prices and for better prices of cane, but not through the measure that is before the House. I think that by this measure we will do more harm than good to the cultivators. The only way for fixation of prices is to form co-operative societies and let these co-operative societies be attached to every factory. Sir, we have done the same

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

thing and we consider that there is no other possible way for the fixation of the price of cane. It is impossible to get the same variety of cane from places within a radius of even two or three miles from the factory. Our experience is that we daily receive canes of different qualities, fresh and good cane, cane that was cut three or four days ago, half dry cane and even half burnt canes. All these kinds of cane are brought to the factory, and as this co-operative society is meant for the benefit of the cultivators and as the cane is to be supplied by its own members, the factory paid the same price to everybody, but certainly at a loss to the factory. I think no other factory would do that. When the Government is going to fix the price of cane and place an excise duty upon factories the factories would naturally resent it and will not take the inferior cane. The result will be that the poor cultivator will suffer and therefore, Sir, I think this measure is not in the interests of the cane-growers.

THE HONOURABLE SAIYID RAZA ALI : It may be a minimum price or minimum prices ; it may be one, two, three, four or any number of prices for different qualities of cane.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : I quite agree with my Honourable friend, but the difficulty is will the Government appoint a competent authority at the gate of every factory for solving this problem. A scale of price is fixed, the cane is brought before the factory and the manager or the chemist says, "This quality of cane is inferior ; this can be classed in the last grade". Who will be there all the 24 hours to determine whether the cane is of that quality or not ? Cane is received at the factory all the 24 hours. If Government is going to do that it will have to appoint three competent men for every factory at eight-hour shifts, who will be present all the 24 hours to decide whether the cane is of that quality or not. That is not an easy problem at all ; it is very difficult. Therefore, Sir, we think that it will ultimately harm the cane-grower instead of doing any substantial good. These are some of the difficult questions that strike me and I would like the Honourable the Leader of the House to throw some light upon them. It would be difficult to determine a standard quality for which the price is to be paid. For instance, should a factory buy cane giving a smaller yield of sugar at the same rate as that giving a larger yield ? How are the quality disputes to be settled ? What will the grower of inferior cane do with his cane if he cannot sell it to the factory at a lower rate ? Is the price of cane to be fixed for dry cane or for fresh cane ? What will the cultivator do with his dry cane ? Is the cost of carriage to the factory gate to be deducted or not ; otherwise why should the factory get cane from a distance and what should the grower of that cane do with it ? Supposing a grower is at a distance of ten miles and a minimum price is fixed, what will be the result of that cane ? The factory would not like to have cane from ten miles away or when it is brought to the factory gate becomes half dry. They will have the cane which is quite fresh and which can be had close to the factory. What will the cultivators do if the cane is refused by the factory ?

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : They can go to an arbitration board surely showing the sample ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : This is not a commodity which can wait for an arbitration board. Every day and every hour the cane deteriorates, and by the time the arbitration board decide, the whole thing will be useless and the tenant will not get a single pie.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : May I interrupt the Honourable Member ? There is the *kanungo*, there is the *patwari*, there is the *naib tahsildar*, there is the *tahsildar*, and there is the Revenue Assistant. They can value the thing. (*An Honourable Member* : "All present at the factory ?") Somebody will be present.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Even if somebody resides in the factory, what will happen if in a locality there are two or three factories ? Would the Honourable Member like them to live there and devote the whole time for these arbitrations only ? That is not possible. The Government will have to appoint a special staff. Then, if a price is fixed, there will be hardly any impetus to improve the quality of the cane ; the interest of the factory owners will cease.

THE HONOURABLE MAJOR NAWAB SIR MAHOMED AKBAR KHAN : What about the *lambardars* of the village ? Cannot they decide ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : They will represent only one party as they are interested themselves. Is he to supply the cane to make *gur* or manufacture sugar as *khandsaris* ? How can it be discovered whether middlemen bought cane to sell to a factory or *gur* maker or *khandsari* ? This Act provides that there will be licensed contractors. It will be very difficult to determine whether a certain contractor is going to supply cane to a *khandsari* factory working with less than 20 men or to a factory or how much he has supplied to that factory and how much to other factories. These are very intricate questions connected with this Bill. Then, Sir, what would happen in a case where the cultivator grows cane of an unsuitable quality, as, for instance, in Bihar, where cultivators grow C. O. 206 ? I think if the factories are not to take that type of cane it will be a very bad day for its growers. Then, Sir, what will happen when there is an excess of cane ? The cane will fetch no price until it is carried over long distances to the factories. If the cane-grower turns this cane into *gur* he will not get more than two annas per maund, so he will try his best to take it to the factory whether they would be willing to pay three to four annas per maund, making fifty to a hundred per cent. more than he would have got by turning it into *gur*. What will be the fate of these cane-growers ? I think most of them will lose rather than gain by this Bill. Therefore, Sir, I think it would be in the best interest of the cultivators and cane-growers, whom I have the honour to represent and for whose sake I have started a co-operative factory in the United Provinces, to withdraw this Bill and bring in another measure by which all the factories may be able to take their supply of cane through co-operative societies and Government may spend a portion out of this sugar excise duty for making the co-operative societies and that is the only way to solve the problem so far as the agriculturists are concerned.



THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Sir, at this last stage we have listened with very great interest to three speakers of the Progressive Party, all three of them speaking not as those interested in mills but as those interested in cane-growers. The Leader of the Party declared that he was speaking in the capacity of a cane-grower himself. Sir, I do not know to what extent the solicitude of the Honourable Member to speak on behalf of cane-growers is a device, which they said was responsible for this Bill, for catching the votes of cane-growers. This requires a certain amount of searching of hearts. If I am producing this Bill to catch the votes of those interested in cane-growers, are not the professions of those three Honourable Members to be keenly interested in cane-growers also due to their desire to propitiate the cane-growers of their constituencies ? But let me remind them, Sir, that the cane-growers of the country are learning by experience. They are not satisfied with professions of interest that the Honourable Members may give expression to. They also want to know what these sympathisers and supporters of theirs have actually said. To take the Honourable Members in turn the Honourable the Leader of the Party said this measure is a pious measure. I am very glad, Sir, for his being so generous as to say that it is not an impious measure. I am very glad that it is a pious measure. Every measure, Sir, conceived with the object of doing good is a pious measure. If, thereby, by any chance, Sir, he meant that it is a measure which is only pious and of no use -- I trust that was not his meaning. --

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That was my meaning.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : If that is his meaning, Sir, I have nothing but to express regret at this levity on his part. To call my Bill a pious measure and to call a pious person a person who is of no use——

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I called it pious because it is unworkable.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I see the Honourable the Leader of the Progressive Party has corrected himself. What he means is that a pious person is a person who is not workable. Well, Sir, I have never understood pious to mean this. I always understood pious to mean a person who is actuated by the one desire to serve the creatures of God and to help them and to eliminate evil as far as it lies in human nature to do so. Anyhow it was in that sense that this Bill was conceived and I trust the House will take it in that sense rather than in the impious sense to which the Leader of the Progressive Party referred.

Now, I cannot really say, Sir, that I have followed every point which the Honourable the Leader of the Progressive Party made. At one time he says this measure is nothing short of placing a blank cheque in the hands of Local Governments and that in doing so I am usurping the functions of the Local Governments. Now, how can he reconcile these two statements ? If I am giving a blank cheque to the Local Governments to write on that cheque whatever they like, the power is being given to the Local Governments. I have signed and finished with it. They can write whatever they like in it. A million,

a hundred millions, or a hundred thousand millions. Why does he say I am usurping their functions? How can these two things be reconciled?

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** What I meant was that a blank cheque was being given to the Provincial Governments and that thereby the legitimate rights and functions of the Local Legislative Councils were being usurped.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** Oh, now the Honourable the Leader of the Progressive Party is girding up his loins to protect the rights and privileges of the Local Legislatures against the onslaught of the Local Governments! May I remind him, Sir, that we entertain no such fear. All that this Bill involves relates to agriculture, co-operation, and industry and all of them are transferred subjects. The Local Governments involved in these subjects are responsible ministries responsible to the Local Legislature. Therefore all this myth of Local Legislatures' powers being usurped by the executive is nothing else but moonshine.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** The Minister will act with the support of the officials but not with the advice and support of the Local Councils.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** There, again, the Honourable Member, having always felt called upon to assist the Legislature in the centre rather than in the provinces, can hardly speak with any experience of the subject. Let me assure him that Local Legislatures have a soul of their own and a mind of their own and if he were to consult members of his own Party he would soon realize that the Legislatures of their provinces can assert themselves.

**THE HONOURABLE THE PRESIDENT:** May I also point out that under clause 3 the Local Governments may first consult the Legislatures? There is nothing to prevent the Local Government consulting the Legislative Council by bringing forward a resolution and then proceeding to declare the area notified.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN:** As a matter of fact, Sir, lest this last speech of mine develops into a conversation, I had better keep it in my own hand. The solicitude for the welfare of Local Legislatures on the part of Members sitting opposite to me is absolutely unnecessary. There is no one in this House more solicitous than myself to protect the rights of Provincial Legislatures and Provincial Administration—having been a Member of a Local Legislature myself and also one responsible to a Local Legislature and afterwards an irresponsible Member as well. So I know exactly how the Local Councils and Local Governments stand.

**THE HONOURABLE MR. HOSSAIN IMAM:** Will the Honourable Member say where provision is made for the Local Council being consulted?

**THE HONOURABLE THE PRESIDENT:** Clause 3.

**THE HONOURABLE MR. HOSSAIN IMAM:** There is no mention of the Local Councils or of their being consulted.

**THE HONOURABLE THE PRESIDENT:** The Governor would not take any steps without consulting his Ministers and it would be for the Ministers to

[Mr. President.]

consult the Council. There is no express provision in the Bill, but it gives power to the Local Government to do so, if the Government so desires.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I am presently coming to the point. I do not think you gave yourself a chance by making the points which are truly relevant to the Bill, inasmuch as you also professed to oppose the Bill on the ground that it had not gone far enough. I am taking up that point. I am sorry I will be detaining the House for five or ten minutes more. Since you seem to be very keen on the matter, it will perhaps be as well for me not to give the impression that there is not a great deal to be said relating to this Bill. The Honourable the Leader of the Opposition proceeded to say—a curious remark, I should have thought, for one who is so strong in accounts and in finance—that the absence of elected Members at the fag end of the session has encouraged us to do a thing like this. Well, Sir, how he can have miscalculated, I cannot for the life of me understand. Yesterday, his was the only discordant note about this Bill. True to the traditions of independence of thought, my Honourable friend gave to the members of his own party the right to express their own views and not be bound by party ties. That does great credit to his leadership. His follower from the United Provinces expressed his opinion that the Bill was a good one and was likely to be productive of good results. His second follower, also from the United Provinces, said that he is for the principle of the Bill, and he provided what I may well term the artistic touch. He is out and out for the cane-grower. He is ready to help them in every way. He has started co-operative societies. The cane-grower must have a fixed price. A price can be fixed according to him. It has been fixed by him. It is working very well. That is a complete answer to all the suspicions and doubts that are entertained by the Leader of the Opposition. The only difference between that Honourable Member and myself is —

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : On a personal explanation, Sir. What I said is this, that we have been able to fix the price because the factory is meant for the cane-growers primarily and for the capitalists secondarily. We do not want the factory to make a huge profit. We want that the cultivators and the members of the factory should be satisfied. It has therefore been practicable. Otherwise, the factories which are established merely by the capitalists cannot do so as they cannot be so charitable.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Thanks very much for this lucid explanation. Then, the Honourable Member from the United Provinces and the Progressive Party hold the view that in order to solve the problem what is needed is the transfer of factories into hands which are co-operative and consist of cane-growers. Is that right ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Yes.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : That is really a suggestion which Members ought to take seriously into consideration. I for one think that the subject has been mentioned to me so suddenly, so abruptly, that I do not like to hazard any opinion on it. It is a suggestion, to my mind, worth considering and exploring and discussing. If he can carry his party

with him on that subject, he may count on the support of a very large number of people. I trust that in party meetings he will make his point and so conduct himself as to make his fellow Members listen to him and see the reason that is behind his proposal. The Honourable the Leader of the Progressive Party started his speech by dissociating himself from the millowners and from everybody except the cane-grower, and curiously enough, he proceeded to say that this Bill will in course of time make the factories into skeletons implying thereby that the cane-grower will become fat and strong, while the factory will dwindle into a skeleton. Well, Sir, if that is the picture

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What I meant was that if the factory closes down on account of the high price fixed for the cane, what will be the fate of the cane-grower? How will he get a fixed price?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: He was afraid one stage will arrive where the factory will become a skeleton and therefore will close down; and the next stage will be when the cane-grower will become a skeleton. Is that so?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Yes.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Well, Sir, I commend his foresight to the consideration of the House. I suppose the cane-grower will be no worse off than he was before this Bill. However, do not let us talk of such horrid things. In the first place, no one in this House wishes the factory to be a skeleton. All of us want the factory to remain and to thrive and to do good business. Where would the consumers be if the factory became a skeleton? It is not our wish. Our wish is that the factory should be strong, that it should make profits and good profits, but not too much profit at the expense either of the consumer or the cane-grower. Let us have a fair deal. That is all Government is interested in.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Why not define the limits of the profit of each, *i.e.*, the grower and the manufacturer?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN: Oh, I daresay limits will soon be found. As a matter of fact, the two interests concerned when they are brought together will be far more reasonable than their supporters are here inclined to be. They will find a way, like the managers of the co-operative factories who are, according to the Honourable Member from the United Provinces doing such good work. Why not? I trust that the Honourable the Leader of the Progressive Party has not lost the cane-grower in him in his enthusiasm for the industry.

Proceeding to his Deputy, he again made an entry with trumpets blowing—What is this Bill? It tries to do a little good to the cane-grower; not worth looking at; throw it away; we want something substantial? Well, now, if this little thing threatens his Leader to reduce the factories to a skeleton, if I gave the full measure to the Deputy, there would be nothing left, not even the skeleton of the factories. What a contrast, and yet it speaks volumes for the independence of judgment of the members of the party! The Deputy says, "You worry yourself about the price of cane! What nonsense! Leave it alone! There are too many difficulties in solving it! Let us produce more cane!

[Khan Bahadur Mian Sir Fazl-i-Husain.]

Let us have better varieties !” As if, even if every acre produced more cane and better cane, the question of price will solve itself. The price will still have to be solved.

THE HONOURABLE MR. HOSSAIN IMAM : There will be more in our pockets.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : But there cannot be more in your pockets till the price is fixed. You may produce double the quantity of cane than you do now and sell it at less than half the price and then you will not have more in your pocket. You will have less. His was a pathetic attempt to run away from the difficulty, to talk in heroics in order to cover his retreat from the difficulties. I trust he does not mind my making this reference to a very human weakness ?

THE HONOURABLE MR. HOSSAIN IMAM : All of us have weaknesses.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : When we are face to face with a difficulty which does not lend itself to an easy solution, well, we say, leave it alone ; let us say something ennobling and refined or rhetorical and so on. That is all very well. I am always for it. It produces a good spirit and raises our ideals. Within limits it is very good, but it must be within limits and provided you go back to your difficulty to solve it. Well, he has not tried to solve it in any way. He has only said, “ Leave it alone, let us produce more, and it will solve itself.” Well, these difficulties have a nasty way of returning and refuse to solve themselves. The same observation applies to his remarks concerning transport and credit, points at which we have never been at issue. They are all good points and Government is always anxious to help in these matters. He has, however, made a very useful contribution to the controversy in suggesting that we should have a cess for cane-growers as well as for mills and that Government should make its own contribution to the cesses obtained from these two sources. No doubt the money is to be spent for the benefit of the cane-growers. He ended up by remarking about the Legislatures. I will not repeat myself on that subject. He need entertain no apprehension of Provincial Legislatures being left in the background. It may be a matter of satisfaction to him to know that the movement in the United Provinces comes more from the Legislature than from the executive Government. He knows also that in his own province the Legislature is persuading the Provincial Government to modify its views. Therefore in view of these things how can he imagine that this Bill does anything in the way of interfering with the powers of Local Legislatures or contains any provision which curtails their powers ? As a matter of fact, Sir, the trouble with the Honourable Member is this. I have presented them with a suit length of cloth. One man says, you have not made me an *achkan* and *pyjama* out of it. Another man says you have not made me a jacket and vest and a pair of trousers. Another man says I wanted only a *chaddar*, I do not want a suit. They forget that I have given them a piece of cloth. Each Local Government is free to make a nice lounge suit out of this measure, or an *achkan* and *pyjama* or, if it is so inclined, have a *chaddar* only, or make no use whatsoever of it, lock it up in the almirah and not use it. If they had understood that this was really all I claimed to do and have done, all their

criticisms would have been kept to themselves, and they would have said to themselves, as soon as the Local Government proceeds to make a suit out of this piece of cloth the people in the Legislature will see that they get what they require and not what the Local Government imagines they do. I have here the seeds of all the institutions which can be constituted with the object of doing the greatest possible good to the cane-grower as well as to the mill-owner. I pointed out clause 7, sub-clause (2) (a), wherein specific mention is made of setting up advisory committees—

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS :** Why not make it obligatory then for the various Provincial Governments to consult their Legislatures ?

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** Again I have to repeat myself which I do not like doing because the House does not like it. My Honourable friend says, "Leave the local Governments and Local Legislatures free. It is their job. It is a transferred subject. Why are you imposing your will on them ?" And yet the very next second he says, "Why not make it obligatory ?" As soon as I make it obligatory I take away their freedom, I take away their initiative. I take away all the authority that they possess. I impose my will on theirs. I work from the centre. I constitute myself into another Roosevelt. He does not want me to do it and at the same time he wants me to do it.

(At this stage one Member rose in his seat to interrupt.)

**THE HONOURABLE THE PRESIDENT :** We are already pressed for time and we should allow the Honourable Member to have his say.

**THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN :** I think the real trouble is that if a little more time is devoted to thinking than to talking, the sessions of this House, or, for the matter of that, the sessions of the other House, will not be as long as they happen to be. I am sorry that my third friend of the Progressive Party has departed. I just have a few comments to make on his speech, which was an artistic one. He is for better prices for the cane-grower. He is for fixing prices, but he says it can be done only through co-operative agencies. Sir, I am free to confess that my own personal views are very much the same. The trouble at present is that an individual cane-grower or half a dozen growers or even a dozen do not stand the ghost of a chance ordinarily in standing up against a factory in case the manager of the factory is inclined to take advantage of his position. They bring their cart-loads of cane to the factory. He can maliciously, unfairly and unnecessarily make them wait for a day and then say that the cane has deteriorated, that it is not fresh, or say that he has got too much already and did not want any more. These things, I am assured, have happened and, to the knowledge of some of the Members opposite, are happening. Those who advise me that this is not a good enough measure and ask me to bring in another, do they feel that at present the conditions in factories other than those which are run on a co-operative basis are so satisfactory that they do not want Government to take any measures ? Do they not realize that it is necessary to do something to enable Local Governments to deal with the proposals that various non-officials in the provinces are placing before them from time

[Khan Bahadur Mian Sir Fazl-i-Husain.]

to time ? This Bill does no more than afford that opportunity. I claim that the amount of elasticity left to Local Governments is so great that this Bill in no way interferes with either their power of taking the initiative or of dealing with the situation.

Now, I come to the last point—a shower of questions. How will the price be fixed, variety of cane, various areas, various factors as to sugar-producing, and so on. Do you think I am justified in giving model answers to these questions which will be mooted perhaps in 10, 20 or 30 advisory committees in each province ? Certainly not.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : But you can lay down the principles ?

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I cannot lay down the principles ; no one can lay them down. They will have to be settled for each area with reference to the local conditions. There is the question of varieties of cane. There may be areas controlled by clause 3, by a Local Government where that question does not arise. There are factories which are paying some price. Am I to understand that each manager of a factory is competent to judge between cart and cart, as to the sugar content in each cart and its paying price with reference to that ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : Roughly he does.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : Roughly that is true, he is supposed to do so ; and yet what happens is they come and they go and they are paid on grounds entirely different from the sugar factor or any other factor. What I want to do is instead of the upper dog or the lower dog settling the issue on any one of these points, both of them having a third party who will prevent any one having an unfair advantage over the other. He will find out what is the difference and on what ground ; let each one put forward his case. They know perfectly well what the factories paid last year and even this year and what other factories are paying. Is it impossible for the cane-grower and the factory owner to settle between themselves what the price should be ? Why should you assume that in every case they will disagree even right to the end ?

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA : How will they be able to settle the minimum price ? The factory will have to pay the minimum price.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : If the factory says which is the minimum price they have to pay——

THE HONOURABLE THE PRESIDENT : I am afraid you are going into hypothetical questions ; it is not necessary.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : I was anxious, Sir, that these three Honourable Members should not feel that their suspicions and conjectures have been brushed aside. I know, as a matter of fact, that two of them are already converts and I do hope that the Leader of the Party will realize that it is best to retain leadership by sometimes following the followers. (Applause.)

THE HONOURABLE THE PRESIDENT : The Question is :

"That the Bill to regulate the price of sugar-cane intended for use in sugar factories, as passed by the Legislative Assembly, be passed."

The Motion was adopted.

### MATCHES (EXCISE DUTY) BILL.

THE HONOURABLE SIR ALAN PARSONS (Finance Secretary) : Sir, I rise to move :

"That the Bill to provide for the imposition and collection of an excise duty on matches, as passed by the Legislative Assembly, be taken into consideration."

The object of this Bill and the motive which has led Government to bring it forward are already known to Honourable Members from our budget discussions. It will, I think, Sir, therefore be sufficient in asking Honourable Members to take it into consideration if I confine my remarks to the one material alteration which has been made in our plan since the introduction of the budget. Honourable Members will recollect that the proposal then put forward was for an excise duty of Rs. 2-4-0 per gross of match boxes containing not more than 80 matches each. That proposal was of course put forward by the Government without an opportunity of consulting the manufacturing interests concerned, because naturally we could not reveal to them before the introduction of the budget what was essentially a budget secret. Since the introduction of the budget, however, Government have had an opportunity of discussion with the interests concerned and their representatives have also appeared before the Select Committee on the Bill appointed by the Legislative Assembly ; and a point, a very good one, the main point, put forward by the manufacturing interests was this, that it was necessary both in their interests and in the interests of the consumer of India to be able to place on the market even after the imposition of this excise duty a box of matches which would sell at one pice, and that if the duty was retained at Rs. 2-4-0 per gross of boxes, the one pice box would be impossible and that the lowest retail price would necessarily be two pice per box. Government, I may say, entirely accepted both those points, namely, the desirability if possible of maintaining a one-pice box and the likelihood that if that were done, consumption would not decline to the same extent as if the retail price per box became two pice. They agreed, too, that it was probable that they would get more revenue from the imposition of a rate of duty which would allow the rate of a one-pice box than from any other method. Therefore, in Select Committee it was proposed,

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and the proposal has been accepted by Government, that, in lieu of a duty at the rate of Rs. 2-4-0 per gross boxes, containing not more than 80 matches, there should be a sliding scale. There should be a duty of one rupee per gross boxes containing not more than 40 matches, and that small half-sized box can, Government understand, be put on the market at one pice per box ; a duty of Rs. 1-8-0 per gross boxes containing not more than 60 matches each, and a duty of Rs. 2 per gross boxes where the boxes contain something between 60 and 80 matches. These are the proposals in the Bill now before the Council. They have one very great advantage. They have not only been accepted by the Legislative Assembly but they represent agreed proposals with the manufacturing interests concerned. Now, in the introduction of a new



[Sir Alan Parsons.]

tax of this character, a tax affecting practically the whole of the population of India and dealing with an article which is sold annually to the extent of about 3,000 millions, there are many complications—complications in the working out of which it is absolutely essential that Government should have the co-operation of the industry. It is therefore a great advantage of the revised proposals that we have in them carried the industry with us. They are proposals which I can confidently recommend to this House. They have unfortunately one defect. We cannot expect to get from them as much revenue as we originally anticipated, though I must admit that, after hearing the match manufacturers, my own view is that our original estimate of the receipts from a duty of Rs. 2-4-0 per gross boxes was too high. As Honourable Members may remember, we anticipated that we should get Rs. 1.92 lakhs net from this proposal to central revenues, after making allowance for Rs. 18 lakhs we have to give to Burma. We are afraid it is impossible to anticipate that we shall now get that sum, partly because I think we originally made an over-estimate which we certainly cannot expect to reach now the rates of duty are lower; partly because during the period before the imposition of the tax but after the proposal to impose it was known, there were very large issues from the factories and that stock will have to be absorbed before further issues are made, partly because the manufacture of these small boxes of about 40 matches means some dislocation in factory methods; and partly because we shall not be ready until I think the latter half of June to issue banderols. For all these reasons, we do not now anticipate that we can expect to get in the current year an issue from the factories equivalent to more than about nine months' ordinary issues, and as we shall not get in this year the tax for one of these months owing to the ordinary delay in the action of a new tax, we can only expect to get about eight months' return from the new tax in the current year. For these reasons we have found it necessary to reduce our estimates for this year on proceeds from this tax from Rs. 1.92 lakhs to Rs. 1.20 lakhs.

Honourable Members will wish to know to what extent that reduction in our estimates has in effect on our other budget proposals. Obviously if we are able to get only Rs. 1.20 lakhs where we previously expected to get Rs. 1.92 lakhs, we are not in the same position for giving assistance to Bengal and that minor assistance to Bihar and Orissa and Assam by means of half the export duty as we were before. We have no intention, Sir, of letting Bengal down and we think we can do so in this way. As I have explained we only expect to get about eight months' receipt from the tax this year and we must therefore confine our guaranteed distribution of half the export duty from jute to these provinces to the proceeds for eight months, or two-thirds of the year's proceeds. On the other hand, should our estimates either from receipts from this tax or generally show an improvement, it is our intention to make up the balance to Bengal and should we not do so what will be the effect on Bengal? It will merely be that they will add this year a certain amount, possibly Rs. 40 or Rs. 50 lakhs, to their deficit. We propose to take that addition to their deficit into account when dealing with their whole deficit debt and to see that in regard to that particular sum no loss will fall on Bengal. I hope the House will recognize that though our own resources in this connection have been somewhat restricted we have no intention of going back on the undertaking we have given to

Bengal, and that by the proposals which I have now had the honour of explaining that effect will be obtained. As a result in our own estimates instead of a surplus of Rs. 19 lakhs in the current year we expect to get a surplus of only Rs. 10 lakhs.

Sir, I move.

THE HONOURABLE MR. HOSSAIN IMAM (Bihar and Orissa : Muhammadan): Sir, I am afraid I will have to oppose this Bill because it falls on shoulders which are scarcely able to bear this burden. Matches are, as is well known, an every day necessity even to the poorest in India and a tax on it has done more harm to the popularity of Government with the masses than any action which the Congress had taken. I, Sir, do not see eye to eye with our Honourable colleague that we would be faced with a deficit of that amount which is involved in making payments to Bengal from this tax. I find, Sir, that like a prudent financier the Honourable the Finance Secretary has made a conservative estimate of his income and he has placed the disbursement at a figure higher than is absolutely necessary. These two elements, if counterbalanced, would make the position of the budget quite secure. I shall give details of how we propose to meet the deficit. The Honourable the Finance Secretary has told us that only Rs. 1.20 lakhs are hoped to be got out of this duty. This small amount can be had from three items which have been debited to the expenditure side but which ought not to be so debited. The first and foremost is the sum of Rs. 58 lakhs which the Honourable the Finance Secretary has provided for paying interest on war debts. The budget which Mr. Neville Chamberlain presented in the House of Commons on the 17th made no provision for payment of debts to America or to any other war debt creditor. That should have been the guiding principle for the Government of India. This is the second time that the Chancellor of the Exchequer in England has made no provision for payment of debts and this is the second time that my Honourable colleague has made this provision. On the last occasion he had not to pay and the amount was unspent. The second item which I wish to disappear is Rs. 52 lakhs which has been provided under the heading of avoidance and reduction of debts. These are for payment of the capital portion of the railway annuities. I object to it on two grounds, firstly, that it is not a payment which ought to be made from general revenues, and, secondly, it will be better for the Railways to pay it for themselves so that they may get relief in interest charges which they now pay. At present the position is that these payments, because they are made out of general revenues, are not debited to the commercial accounts. This is a wrong policy. If the railways have still something left in the Reserve fund it can be utilized for payment of this amount because this will mean that they will be saving in interest charges.

THE HONOURABLE SIR ALAN PARSONS: On a small point, may I correct? The railways unfortunately have nothing whatever left in their reserve.

THE HONOURABLE MR. HOSSAIN IMAM: They have a little there and their balance in the Depreciation fund is Rs. 13 crores. You can take a loan as we are doing now in meeting our deficit from the loan account. Then, Sir, I find that although the Honourable the Finance Member said in his speech that he did not expect to have more than Rs. 30 crores of treasury bills on the average, the provision that has been made for payment of interest in the memorandum

[Mr. Hossain Imam.]

suggested by my Honourable colleague is Rs. 99 lakhs. The highest rate that we have paid last year was not more than Rs. 2-8-0 per cent. on treasury bills. If we worked on that basis, Rs. 30 crores will require only Rs. 75 lakhs. You have estimated for an expenditure of Rs. 24 lakhs more there. We find that last year, too, he made more provision than what was really required.

THE HONOURABLE THE PRESIDENT : Your suggestion is quite sound, but is it possible now to alter the allocations when the Assembly has been adjourned !

THE HONOURABLE MR. HOSSAIN IMAM : The Assembly does not vote these allotments. Most of this is expenditure under the control of the Governor General in Council and as such they are always open to readjustment. I have brought forward a little detailed figures in order to set at rest the point that was made that if we throw out this Bill, Government will be placed in a bad position of having budgetted for excessive expenditure. Sir, this Bill is open to one very great constitutional objection. It provides for the participation of the States in an income accruing in British India. Sir, this is the thin end of the wedge. If we admit this liability, we will be nowhere. The States will have as good a claim to our income from customs as they have now from excise. We know that India at present is unable to meet its expenditure with all the income that is coming and what will be its position if we give to the States the right to participate in the proceeds of British Indian taxation ?

My other objection is that this is a source of revenue which we had reserved for the Federation in order to meet the deficits of the Federal Government. An answer to this charge was given by the Honourable the Finance Member when he said that the payment of part of the jute export duty to Bengal was one of the functions of the Federal Government. There, I agree, but we also know that we will have to give up a part of the income-tax too. As he was imposing two excise duties, one, the sugar excise duty, should have been utilized to meet that deficit and the matches should have been left untouched to meet the deficit which is likely to occur from the loss of a portion of the income-tax. I would therefore suggest to the Government not to be content even if they get the Bill passed, but to find out ways and means by reducing expenditure so that we may be in a position to do without that portion of the income-tax which has been earmarked for the provinces. Yesterday, Sir, I objected to the extraordinary powers that are being given to the Governor General in Council by means of these Bills. In this Bill this excessive power has reached a point at which it is really impossible for any member of the Legislature to sit without doubting the necessity of having any Legislature at all. I refer to the provision in clause 18 (3) in which power has been given to the Governor General in Council to punish people with imprisonment which may extend to six months. It would simplify our duty to a great extent if we were to bring forward a Bill empowering the Governor General to discharge all the functions of the Council of State. There will then be no necessity of wasting the public money in having anybody here. There ought to be some limit to the powers which are given to the executive. Excessive powers are given to the executive not because there is any desire on the part of the executive to get too much power but because I feel that Bills are being introduced with such rapidity and without sufficient consi-

deration that there is no time left to fix up all the necessary items that will be required and it is more as a safeguarding measure that they place such clauses as parts of the Bill, in order to hide the fact that the measure has been conceived in a hurry and is necessarily suffering from those defects.

Sir, the reduced purchasing power of the masses of Indians and the great reductions in our agricultural prices and the increased customs duties reflected in the prices of manufactured goods would have entitled Indians to look forward to relief from taxation. But instead of that we have been taxed more this year, and I wish to state that India is suffering from poverty and inability to pay. The more the taxes increase the more incidence grows but the amount is always falling. If we were to examine the total tax income of the Government we will find that, in spite of the tax in some items being almost doubled and in some cases increased by 50 per cent., the total net income has not increased beyond what it was in 1930. That is, Sir, an object lesson to the Government to give up this easy way of meeting the deficit. The real way is to reduce our external expenditure. Unless that is done and the drain on India is stopped, we can never hope to have a balanced budget or prosperity in India.

Sir, I oppose.

THE HONOURABLE SIR ALAN PARSONS : The Honourable Member who has just sat down gave three or four reasons against the adoption of this measure. I should like quite briefly to refer to each of them. First of all, he objected to the measure because it will increase the price of a common article of use to the poorest consumer. I have of course to admit that this is so. But there are certain considerations which I think this Council will consider mitigate the position. Since protection was given to the manufacture of matches in this country internal competition has brought down the price very greatly. Even as short a time back as 1923-24 I believe no box of matches could be purchased at less than one pice, and that is the rate at which a box will be able to be purchased after this Bill has been brought into force. Secondly, of course, as Honourable Members are no doubt well aware, taxation on matches is common to most of the countries in the world, and at present and even after the imposition of this excise duty the purchaser in this country will obtain matches at a very much lower price than in practically any other country.

THE HONOURABLE MR. HOSSAIN IMAM : Will we have the same purchasing power as we had in 1921 ?

THE HONOURABLE SIR ALAN PARSONS : The Honourable Member is always trying to put to me questions which he is quite well aware neither I nor anybody else could possibly answer. Secondly, the Honourable Member does not agree with our budget estimates. He accuses me of having underestimated our revenue and over-estimated our expenditure. I hope of course that he is right. I trust that at the end of this year he will prove to be completely right, and that it will be possible to remove some of the burdens of existing taxation. But in the matter of the estimates I can only say this, that the Department I have the honour to represent has a certain amount of experience. They realize from that experience that they may go wrong, but all they can do is to put up the fairest estimates they can frame on the best knowledge at their disposal at the time the estimates are made, and on that knowledge I am perfectly sure that our estimates are as accurate as they could be made. The

[Sir Alan Parsons.]

Honourable Member then indulged in a large number of financial heresies. He suggested to begin with that in lieu of this tax, which as I have explained will give us in 1934-35 Rs. 1,20 lakhs, that is, only about two-thirds of what we want for assistance to Bengal, we should first of all omit the item of Rs. 58 lakhs for paying interest on our war debt to the British Government. I am, I admit, hopeful that we may not have to pay that amount this year, but I am also equally aware that if we do not have to pay that interest there are certain other directions in which sums are due to us which very likely we may not be able to realize. I could not even for this year take that Rs. 58 lakhs into account, and what use would this saving in one year be in order to enable me to pay annually in future half the export duty on jute to Bengal? Next he assumed that I could get another Rs. 50 lakhs—I am not quite sure whether it was from not paying the annuitants the sums under railway annuities which we are bound to pay to them, or from throwing that sum on to the railway budget which is already in deficit and to which deficit it would only add. In any case I am sure he would not suggest that this is a proposal which could be adopted invariably in the future in order to meet what in effect is an annual reduction in our revenues owing to the assistance to Bengal. Lastly, Sir, he accused me of having over-estimated the amount we shall have to pay in our ordinary interest charges this year, chiefly because he assumed that our treasury bills outstanding would be only Rs. 30 crores throughout the year. I will not go into the figures, in fact I have not got them in my memory at the moment, though I am quite prepared when I next meet the Honourable Member to show him how the estimates are framed. The position is of course quite simple. On our budget estimates we assumed that on the 1st April this year our outstandings of treasury bills would be only Rs. 30 crores. But in the course of the year, particularly in the earlier months of the year, the outstandings of those bills, as any Honourable Member who follows Government finance knows, tend to rise. They may go up to Rs. 40 crores or more. They then tend to go down towards the end of the year. It is quite useless to take merely Rs. 30 crores as the figure and apply to it some figure of what is estimated as the possible rate of interest throughout the year. Therefore none of my Honourable friend's three expedients for finding this Rs. 1,20 lakhs can have any appeal to anybody who claims to be a sound financier.

He raised next the question of the Indian States. I admit, Sir, that it is a difficult question. The position is this, that to avoid a loss to our own revenues it was at this stage necessary to bring the Indian States in, and the only way that we could see of doing it was to give those States a share in this duty on the undertaking by them that if any match factory were started or were in existence in their territories they would impose a similar duty. But it was made quite clear that this would in no way prejudice the decision after Federation and in fact I may say that some of the States—and those by no means the least important—themselves made the same stipulation. So far therefore as it is possible for the Government to safeguard the position after Federation comes in they have done so by the action they have taken.

Lastly, he made a criticism of one of the details of the Bill; and I was rather surprised to hear a lawyer of his eminence say that we were taking

the most objectionable powers under clause 18 (3). He said that was evidence that this was a hurriedly conceived measure and therefore we had to put in clauses of this nature without defining the offences which it is intended to penalise. I am not a lawyer myself, but my Honourable friend Mr. Spence informs me that this clause 18 (3) is quite a common clause appearing in a very large number of Acts, with some of which at least I should have expected my Honourable friend to be acquainted. So far as the measure being hurriedly conceived, I have got with me the papers and I observe—it was before I held my present appointment—that the measure was first mooted and the proposal gone into seriously as long ago as 1929. That I think deals with all the points raised by my Honourable friend, and I have nothing more to add. I hope the House will pass this Bill.

THE HONOURABLE THE PRESIDENT: The Question is:

“That the Bill to provide for the imposition and collection of an excise duty on matches, as passed by the Legislative Assembly, be taken into consideration.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: The Question is:

“That clauses 2 to 10 stand part of the Bill.”

THE HONOURABLE SAIYID RAZA ALI: May I suggest, Sir, that clause 7 be taken separately? I have got a few observations.

THE HONOURABLE THE PRESIDENT: The Question is:

“That clauses 2 to 6 stand part of the Bill.”

The Motion was adopted.

THE HONOURABLE THE PRESIDENT: Clause 7.

THE HONOURABLE SAIYID RAZA ALI: Sir, according to clause 7, the bringing of matches from Indian States into British India is totally prohibited, with certain exceptions. This House will remember that a clause similar in purpose to the present clause found a place in the Sugar (Excise Duty) Bill. There the Government dealt with it in this way. If sugar from an Indian State was brought into British India, that sugar was liable to a customs duty which was to be paid at the same rate at which the excise duty was payable on sugar manufactured in British India. That no doubt was quite sound. Now, here, I find that the majority of those Indian States which produce matches have entered into an agreement with the Government of India under which they would levy a duty which would correspond to the duty which is to be levied in British India and that amount would go to a common pool and the proceeds would be divided between the Government of India and the Indian States in certain proportions. So far so good, and I do not think any fault can be found with that.

Now, we come to the next provision. The next provision is for the total prohibition of matches into British India. I for one fail to see why a departure in policy has been made from the lines chalked out in clause 6 of the Sugar (Excise Duty) Bill which we passed yesterday. Now, if I may be permitted for a second to refer to clause 6 of that Bill, it will be found that in the case of sugar imported into British India a customs duty is to be paid at a uniform rate, namely, at the same rate at which excise duty is leviable in British India. To me it seems that this is a very sound arrangement and if any Indian State is unwilling to come to an agreement with British India, I see no reason why

[Saiyid Raza Ali.]

the bringing of its goods into British India should be prohibited, which would surely put us to the loss of revenue which those goods would have paid if a duty had been charged on those goods. To me it seems that the dangers that may be taken into consideration in this connection are two. First, we forego a certain amount of money to which we are entitled. If there is an Indian State which is unwilling to join the scheme formulated by the Government of India, there is no reason why any particular sympathy should be wasted on that State and therefore if matches manufactured in that State are brought into British India, by levying a customs duty at the same scale at which excise duty is payable we would be benefitting our exchequer to a certain extent. So my first point is that there is no reason why we should deprive ourselves of that revenue. My second point is that having regard to the geographical situation of a number of States which intersperse British India, this clause would largely lead, I am afraid, to smuggling. After all matches are not a very bulky article. It would be very easy for interested persons to bring illegally, to smuggle, matches manufactured in an Indian State into British India. These are the two objections, I believe, that would readily suggest themselves to any one who would compare the provisions of clause 7 of the present Bill with the provisions of clause 6 of the Sugar (Excise Duty) Bill.

THE HONOURABLE THE PRESIDENT : The Question is :

“That clause 7 stand part of the Bill.”

The Motion was adopted.

Clause 7 was added to the Bill.

Clauses 8 to 18 were added to the Bill.

Clauses 19 to 21 were added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

THE HONOURABLE SIR ALAN PARSONS : Sir, I move :

“That the Bill to provide for the imposition and collection of an excise duty on matches, as passed by the Legislative Assembly, be passed.”

THE HONOURABLE MR. HOSSAIN IMAM : Sir, may I ask one question ? Provision has been made in clause 12 (2) to fine those people who are selling matches ; a penalty is imposed on sellers of matches not bearing a banderol or stamp. May I take it that the intention of Government is that matches which have already been issued and which are in the possession of retailers and whole sale merchants will also be subjected to the imposition of this excise duty or are they free ? I ask because that will mean a great deal of difference in the income which is to be derived either on the eight months' basis or the eleven months' basis.

THE HONOURABLE SIR ALAN PARSONS : If the Honourable Member will refer to clause 3 he will see that the imposition of the duty depends upon the issue from the factories. It will not therefore affect stock in the hands of retailers or even wholesalers which was transferred from the factories before

the Bill comes into force. I think that answers my Honourable friend's question.

**THE HONOURABLE MR. HOSSAIN IMAM:** My difficulty was that we would not be able to find out whether a retailer is selling an unstamped match box which he got before the passage of the Act or after its passage. How is the retailer to find out because he will also be subject to this penalty of a fine of a thousand rupees—how is he to find out that a match box that has been sold to him unstamped is not a surreptitious issue ?

**THE HONOURABLE SIR ALAN PARSONS:** We propose to deal with that, Sir, in the way in which we fix the period after which the sale of unbanded boxes will be illegal. It will be sometime in the middle of October, by which time all these issues will no doubt have been used up.

**THE HONOURABLE MR. HOSSAIN IMAM:** This will mean, Sir, that the consumers will be out of pocket of Rs. 50 lakhs without filling the Government's pocket, to the profit of the capitalists alone.

**THE HONOURABLE SAIYID RAZA ALI:** May I ask the Honourable the Finance Secretary to answer the question which I put a few minutes ago ?

**THE HONOURABLE SIR ALAN PARSONS:** Sir, the Honourable Member asked me why we made different provisions in this Bill to those we have made in the Sugar (Excise Duty) Bill for dealing with possible imports from Indian States. The answer is really this. There is very considerable difference in the manufacturing operations of sugar and matches. Match machinery can be very cheaply and easily shifted from one place to another and therefore unless we were to bring the Indian States in with us it would pay match manufacturers to transfer their plants to Indian States where an excise duty is not imposed, and it would be a practical impossibility for us to put a cordon line round all the numerous States of India. Therefore in order to get this tax into working order we had to take the main safeguard of sharing the proceeds with the Indian States, thereby giving them no incentive to encourage the industry to transfer itself to their territory. That position does not arise in regard to sugar. Sugar factories can as a rule only be established where sugar-cane can be grown and I think only a very small proportion, about five per cent. of the cane cultivation is in Indian States.

**THE HONOURABLE SAIYID RAZA ALI:** Is the number of States engaged in the manufacture of matches very large ? I thought that was very small too ?

**THE HONOURABLE SIR ALAN PARSONS:** At the present moment I think the number is not very large. I think the Honourable Member is correct but should factories be given a chance of escaping this very heavy excise duty by transferring themselves to Indian States, the number would no doubt become very large in the course of a year or so. We had to guard against the prospective danger. That danger does not arise to anything like the same extent in regard to sugar. I think that answers the point which my Honourable friend made as to the reason why we adopted a different course in regard to matches from that which we adopted in regard to sugar.

**THE HONOURABLE THE PRESIDENT:** The Question is :

"That the Bill to provide for the imposition and collection of an excise duty on matches, as passed by the Legislative Assembly, be passed."

The Motion was adopted.



**MOTION RE COMMITTEE TO ENQUIRE INTO AND REPORT  
ON THE WORKING OF AND RESULTS ACHIEVED FROM THE  
OTTAWA AGREEMENT.**

**THE HONOURABLE MR. T. A. STEWART (Commerce Secretary):** Sir,  
I move :

“That the Committee to be set up in pursuance of the Resolution adopted by this Council on the 20th of March, 1933, to enquire into and report on the working of and results achieved from the Ottawa Agreement do consist of the following nine Members of this Council :

- (1) The Honourable Sardar Buta Singh,
- (2) The Honourable Mr. Satyendra Chandra Ghosh Maulik,
- (3) The Honourable Mr. Hossain Imam,
- (4) The Honourable Mr. Vinayak Vithal Kalikar,
- (5) The Honourable Mr. E. Miller,
- (6) The Honourable Saiyed Mohamed Padshah Sahib Bahadur,
- (7) The Honourable Sir Alan Parsons,
- (8) The Honourable Saiyid Raza Ali, and
- (9) The Mover.”

In making this Motion, Sir, I may mention for the information of Honourable Members that it is proposed that the Committee should meet and enquire into the working of the Ottawa Agreement in the course of the next Legislative session. We have now under preparation the material which will be placed before them and we hope shortly after the end of May to be in a position to circulate a comprehensive memorandum which they may study between the time of receipt and the meeting of the Committee. Sir, I move.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadian):** Sir, before we deal with the subject matter of the Motion I should like the Honourable the Commerce Secretary to enlighten this House as to why the Government has changed its ground and have put this Motion in a different form from that in which they proposed to move it on the 16th of April. Sir, if we look up the agenda of the 16th April we find that the Motion in the name of the Honourable Mr. Stewart is worded as follows :

“That the Committee to be set up in pursuance of the Resolution adopted by this Council on the 20th March, 1933, to enquire into and report upon the working of and results achieved from the Ottawa Agreement do consist of five members to be elected by the non-official Members of this Council and of four members including the Chairman to be nominated by the Governor General in Council and that the non-official Members of this Council do proceed in such manner as may be approved by the Honourable the President to elect five Members of this Council to be members of the said Committee”.

I, Sir, expect that the Honourable Mr. Stewart will inform this House why the election has been done away with and the present method adopted.

**THE HONOURABLE MR. T. A. STEWART :** Sir, the reason why the method of selecting this Committee has been changed is this, that after having given notice of the Motion in its original form it appeared to me, after discussing with my Honourable Member, that it might be difficult in the method originally

proposed to secure adequate representation of as many interests in this Council as one might desire. Before deciding to revise the form of the Motion, I consulted various Party leaders within this House and I was assured by them that the method now proposed was preferable to the one originally proposed which had apparently caused them to entertain the same doubts as had arisen in my own mind. For that reason, Sir, I altered the form of the Motion.

**THE HONOURABLE THE PRESIDENT:** May I know what procedure was adopted in the Legislative Assembly? Was the privilege of election given to that body?

**THE HONOURABLE MR. T. A. STEWART:** It was, Sir. But the Committee to be elected there was not constituted in the same way as the Committee to be elected here. In the other House I believe a Committee of the Assembly was to be constituted. Here, owing to the wording of the Honourable the Leader of the Progressive Party's original Resolution—the Resolution adopted was that a Committee should be appointed with a non-official majority. If Honourable Members will consider, they will find that it is rather a difficult proposition to arrange for the election of such a Committee, except by limiting the right of choice of the non-official Members to an undue extent.

**THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS:** On a point of explanation, Sir. The Honourable Mr. Stewart was good enough to consult me in the matter, but he never told me that the election will be done away with. What I was asked was, "How many people from my Party were willing to stand for this Committee?" He did not take me into his confidence to the extent that he will change his procedure on the Motion and do away with election. I think the privilege of election ought not to be withdrawn from this House and so this Motion ought to be opposed as the principle of election has been done away with.

**THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR (Madras : Muhammadan):** Sir, the Honourable Mr. Stewart, before changing the procedure, met me also and told me that he had consulted the other Party and wanted to know if I was also agreeable to the suggestion he would make, namely, that instead of election we should have this Committee appointed by way of nomination, and I gave my assent to this only for the reason that this proposal came at the fag end of the session, and at a time when this Motion was to be moved, most of the non-official Members had gone away. So, I thought that instead of the choice being made only by a few non-officials, there was no harm if the Committee was appointed and the members were nominated. If the proposal had come just at the beginning of the session, and if non-official Members had been present in their full strength, I do not think I would have given my consent to it. But I think, Sir, that taking all the circumstances into consideration, the course that has been adopted is not objectionable.

**THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEHROTRA (United Provinces Central : Non-Muhammadan):** Sir, as the Honourable the Commerce Secretary has said that the Committee is not going to sit till the next session of the Council, I think there will be no hurry if this Motion is postponed and put on the agenda of the first day when the Council

[Rai Bahadur Lala Mathura Prasad Mehrotra.]

meets. The Committee will sit afterwards, and therefore, there will be no harm. Government in the meantime may collect material and place it before the Committee when it meets.

THE HONOURABLE THE PRESIDENT : I am sorry I was not consulted at all in this matter. If I was consulted, I would certainly have advised Government to treat this Council in the same manner as the Assembly. Differences like these unfortunately give ground to Honourable Members to complain in this House. I would like to know if the Honourable Mr. Stewart is prepared to accept the suggestion made by the Honourable Mr. Mehrotra.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN (Leader of the House) : May I for a moment interrupt before Mr. Stewart is called upon to make his choice ? Mr. Stewart can only adopt one of the two alternatives, namely, to have his Motion accepted or rejected or put off till the next session. You, Sir, are very well aware that the Council of State is not at all present in Simla till a few weeks after the Assembly has been in session. Therefore, assuming that the Assembly meets towards the middle of July, it will be some time in August before this House is called up. What will be the gain ? This House will be asked to elect a Committee of nine.

THE HONOURABLE THE PRESIDENT : Not nine, but a smaller number. There will be nominated by the Government. That was the original Motion.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : All the more difficult. This House will not get a more representative Committee than the one on the paper.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : That is a question of opinion, Sir.

THE HONOURABLE KHAN BAHADUR MIAN SIR FAZL-I-HUSAIN : That is a question of opinion. It will be verified in the month of August. I have little doubt what the verification will be. It is for the House to decide. Do they not want a Committee to sit at the same time as the Assembly Committee is sitting ? If they want the right to elect five members, remembering that the electorate does not consist of the Progressive Party only, and that in any Committee of five, even if it is of non-official Members, the Progressive Party cannot have two out of five. It is for them to decide. In the present proposals, two out of nine are nominees of the Progressive Party, one is a nominee of the Independent Party, and the other three come one from the nominated Members and two from the unattached Members. What has been shown on the paper could be arrived at by election as well. However, I do not want to influence the House. If they will express themselves as to whether they want to wait till next August for constituting this Committee or whether they would be satisfied with the Committee as constituted, provided it is clearly understood by Government that the House is touchy on that point and in future they ought to be given the right of election.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Sir, I oppose the Motion.

THE HONOURABLE THE PRESIDENT : I think it is for the Council to decide whether we should proceed with the Motion or postpone the question.

If any Honourable Member wishes to move an amendment to this Motion that the question may be deferred till next August, I am prepared to accept the amendment.

THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD MEH-  
ROTRA : Sir, I beg to move :

• "That the consideration of the Motion be postponed till the first day of the Council of State session at Simla."

THE HONOURABLE THE PRESIDENT : I will first put the amendment to  
the vote. You have not handed over a copy of your  
1 P.M. amendment to me. It must be definite in character.

(The Honourable Member then wrote out the amendment and handed it  
to the Honourable the President.)

THE HONOURABLE THE PRESIDENT : Amendment moved :

"That the consideration of the question be postponed till the first day of the Council of State session at Simla."

The discussion will now proceed both on the amendment and on the original Motion simultaneously.

THE HONOURABLE SAIYED MOHAMED PADSHAH SAHIB BAHADUR :  
Sir, if this is going to take some time I suggest that as today is Friday and it is time for prayers the meeting be adjourned.

THE HONOURABLE THE PRESIDENT : This question will not take more than five minutes, I do not think it will be right to adjourn at this stage.

THE HONOURABLE MR. G. S. KHAPARDE (Berar Representative) : I wish to support this amendment for this reason, the true reason on which it is based has not been brought out. In the law and regulations and everywhere else provision is made for joint committees, but I have observed that within the last six years not a single joint committee worth mentioning has been appointed. What is now done is that the Assembly always appoints a select committee of its own Members. Then they also circulate Bills for public opinion, and so when a Bill reaches us we have no means left of discussing the Bill from all points of views. Sir, I have felt this position to which the Council of State has been reduced very keenly. Our Council has been ignored and as far as possible kept out of important work. Once a Bill has been committed to a select committee by the Assembly or has been circulated, we cannot appoint a committee or send it out again. That Bill comes to us and we are given a day and told to argue it out. Often I have had many new points to raise, but they are barred, and I have had to go home without talking about it at all. I have felt that position keenly all along, that our House has been ignored and all dignity has been denied to it. In fact it is talked about outside with some amount of contempt. I therefore support this amendment. The constitution has given us a certain position and that position we are bound to occupy and keep. I feel very strongly—it may be a personal reason and people are at liberty to say I am wrong—but I feel that the House in which I sit should not be ignored and it should enjoy all its rights and privileges, and my feeling is that we should obstruct at such a point as will be most inconvenient to the Government in order to ensure proper treatment.

For these reasons, Sir, I support the amendment

THE HONOURABLE THE PRESIDENT: I said that the Honourable Mr. Stewart did not consult me. My attention has been drawn now by the Honourable Secretary to the fact that Mr. Stewart did speak to me about this Motion and I took no objection. I therefore withdraw my remarks and apologize.

THE HONOURABLE MR. T. A. STEWART: May I say that I accept the proposed amendment on behalf of Government.

THE HONOURABLE THE PRESIDENT: The amendment is accepted. Nothing now remains but to close this session. This session has been a long and protracted one, but that has been due to circumstances over which we had no control. At the same time it is a great satisfaction to me that Honourable Members have discharged their duties with such promptitude that we are in a position to close the session today.

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The Council then adjourned *sine die*.

# Index to the Council of State Debates.

## Volume I, 1934.

### A

#### ACCOUNTANT GENERAL'S OFFICE, BOMBAY—

Question *re* percentage of leave reserve in the clerical establishments of the Income-tax Office, New Custom House, Post Office and the —. 377.

#### AERODROME(S)—

Question *re*—  
— at Dacca. 74, 74-75.  
— in India. 76.

#### AEROPLANE—

Question *re* linking up of Darjeeling with Calcutta, etc., by —, etc. 365.

#### AGENT'S OFFICE, EAST INDIAN RAILWAY—

Question *re* representation of Muslims in the — and Agent's Office, Eastern Bengal Railway. 543.

#### AGENT'S OFFICE, EASTERN BENGAL RAILWAY—

Question *re* representation of Muslims in the Agent's Office, East Indian Railway, and —. 543.

#### AGREEMENT—

See "ANGLO-SOVIET —".  
See "INDO-JAPANESE TRADE —".  
See "OTTAWA —".  
See "TEXTILE —".

#### AID—

Question *re* Government — to Bihari employees of the Pusa Institute. 807.

#### AIR FORCE—

See "INDIAN —".  
See "ROYAL —".

#### AIR LINES—

Question *re* carrying of — by Indian National Airways Co., Ltd. 74.

#### AJODHIA—

See "MANJAR GUPTAR GHAT".

#### AKBAR KHAN, THE HONOURABLE MAJOR NAWAB SIR MAHOMED—

General discussion of the General Budget for 1934-35. 301-04.

General discussion of the Railway Budget for 1934-35. 213-15.

Indian Finance Bill, 1934—

Motion to consider. 577-78.

Indian States (Protection) Bill—

Motion to consider. 668-69, 676, 695.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 766-68, 778, 779, 782, 783.

Nomination of — to the Panel of Chairmen. 13.

Resolution *re*—

Publication of the report of the Capitation Rate Tribunal, etc 508-11.

Road Development Fund. 833-34.

Sugar-cane Bill—

Motion to consider. 924-26, 928.

Motion to pass. 946, 947.

Sugar (Excise Duty) Bill—

Consideration of clause 11. 900.

#### ALL-INDIA CO-OPERATIVE COUNCIL—

Question *re* establishment of an —. 361.

#### ALL-INDIA SERVICES—

Question *re* pay for future entrants to the Imperial or —. 367.

#### ALLOTMENT—

Question *re*—

Desirability of revising existing rules for the — of "A" type quarters in Summer Hill. 735.

Desirability of revising existing rules governing — of higher class quarters in Simla to persons not entitled to house-rent. 735-36.

Operation of rules for the — of unorthodox quarters in the case of Secretariat and Attached Office clerks. 734.

Preference to Secretariat clerks over Attached Office clerks in the — of quarters so long as the rent recoverable from the former is greater than that recoverable from the latter. 736.

**ALLOWANCES—**

See "COMPENSATORY —".

**ANDAMANS—**

Question re—

Health of Ananda Mohan Gupta,  
detenu in the —. 547.

Medical arrangements on steamers  
going to the —. 365.

**ANGLO-SOVIET AGREEMENT—**

Question re —. 641.

**ARMY—**

Question re—

Method adopted by the — for the  
selection and purchase of horses  
from bound and unbound areas.  
743.

Number and value of Indian-bred  
horses secured for — purposes  
from the various bound and un-  
bound horse-breeding areas of the  
Punjab. 740-41.

See "INDIAN —".

**ARMY HEADQUARTERS—**

Question re—

—, 4, 4-5, 5.

War Office and —. 3-4.

See "MASTER GENERAL OF THE ORD-  
NANCE BRANCH, —".

**ARMY IN INDIA RESERVE OF OFFICERS—**

Question re recruitment to the —.  
355.

**ASSAM BENGAL RAILWAY—**

See "—" under "RAILWAY(S)".

**ASSISTANT INCOME-TAX OFFICERS—**

Question re—

Grant of compensatory allowances to  
Income-tax Officers and — in  
Bombay City. 381-82.

Number of Income-tax Officers and  
— appointed in the Income-tax  
Office, Bombay, during the last  
three years. 380.

**ATTACHED OFFICE CLERKS—**

Question re—

Operation of rules for the allotment  
of unorthodox quarters in the case  
of Secretariat and —. 734.

Preference to Secretariat clerks  
over — in the allotment of  
quarters so long as the rent re-  
coverable from the former is  
greater than that recoverable from  
the latter. 736.

Similarity of treatment to Secreta-  
riat and — in calculation of  
rents of non-entitled quarters. 734.

**ATTACHED OFFICES—**

Question re number of Bihar and  
Orissa Muslims serving in the Gov-  
ernment of India Secretariat and  
—. 933-34.

**B****BAGCHI, HARI PADA—**

Question re death of —, detenu in  
the Deoli Detention Jail. 250.

Statement (laid on the table) re death  
of —, detenu in the Deoli De-  
tention Jail. 13.

**BANDEL-BARHARWA SECTION—**

Question re provision of raised plat-  
form and ladies' waiting room at  
Salar railway station on the —,  
East Indian Railway. 175.

**BANERJEE, THE HONOURABLE MR.  
JAGADISH CHANDRA—**

Election of — to the Standing  
Committee for Roads. 747.

Election of — to the Standing  
Committee on Emigration vice the  
Honourable Sir Kurma Venkata  
Reddi, resigned. 747.

General discussion of the General  
Budget for 1934-35. 321-25.

General discussion of the Railway  
Budget for 1934-35. 201.

Indian Finance Bill, 1934—

Motion to consider. 600-04.

Indian Tariff (Amendment) Bill—  
Consideration of Schedule. 195.

Indian Tariff (Textile Protection)  
Amendment Bill—

Motion to consider. 772-75.

Question re—

Aerodrome at Dacca. 74, 74-75.

Aerodromes in India. 76.

Army Headquarters. 4, 4-5, 5.

Carrying of air mails by Indian  
National Airways Co., Ltd. 74.

Central Book Depot, Calcutta. 250.

Central Health Board. 546.

Construction of new lines on the  
Eastern Bengal Railway. 76.

Currency Note Press, Security Print-  
ing, Nasik. 249.

Cypher Bureau. 7-8.

Death of Hari Pada Bagchi, detenu  
in the Deoli Detention Jail. 250.

Delay in communications with  
detenus confined in the Cellular  
Jail, Port Blair. 547.

Director of Civil Aviation. 75.

Director, Regulations and Forms,  
Army Department. 6.

Economic enquiry. 77-78.

Executive Engineer's Office, Dacca,  
Eastern Bengal Railway. 8.

Fraud and misappropriation on the  
Eastern Bengal Railway. 7.

Guard E. I. Wright, Eastern Bengal  
Railway. 9, 9-10.

Heads of industrial sections in Gov-  
ernment of India Presses. 550.

Health of Ananda Mohan Gupta,  
detenu in the Andamans. 547.

**BANERJEE, THE HONOURABLE MR. JAGADISH CHANDRA—*contd.***

Question *re—contd.*

Indian Stores Department. 360.  
Indians in the Royal Air Force and Indian Air Force. 75-76.

Indo-Japanese Trade Agreement. 548.

Jute export duty. 71.

Master General of the Ordnance Branch, Army Headquarters. 6, 6-7.

Military garrison at Chittagong. 549.

Non-payment of income-tax by Pandit Jawaharlal Nehru. 545.

Number of ten-hour basis men in the Government of India Presses, etc. 550-51.

Political outrages in India from January, 1931 to February 1934. 549.

Public debt of India. 10.

Railway bridge over Meghna River, Assam Bengal Railway. 72.

Recruitment to subordinate services of the Posts and Telegraphs Department in Bengal. 72-73.

Relief Committees in Bihar. 545-46.

Retrenchment in the Dacca-Narayanganj and Mymensingh-Jagannathganj Sections, Eastern Bengal Railway. 8.

Sailesh Chandra Nag, detenu in the Deoli Detention Jail. 76.

Security Printing, Nasik. 243.

Supply of information concerning the health of detenues to their relatives. 548.

Tata Iron and Steel Co., Ltd. 10-11.

Telephone charges, Dacca. 71.

Ten-hour basis men in the Government of India Press, New Delhi. 550.

Textile Agreement between the Bombay millowners and Lancashire delegation. 547-48.

Trunk telephone line from Calcutta to Dacca. 73.

Use of black paint on the East Indian Railway. 359-60.

Use of black paint on the Eastern Bengal Railway. 359.

War Office and Army Headquarters. 3-4.

Question (supplementary) *re—*

Area under non-food crops. 38.

Delay in communications with detenues confined in the Cellular Jail, Port Blair. 547.

Medical arrangements on steamers going to the Andamans. 365.

Trunk telephone line from Calcutta to Dacca. 73.

**BANERJEE, THE HONOURABLE MR. JAGADISH CHANDRA—*concl.***

Reserve Bank of India Bill—

Motion to consider. 55-57.

Consideration of clause 4. 115-16, 118, 122.

Consideration of clause 40. 138-39.

Motion to pass. 154.

Resolution *re—*

Composition of Indian delegations to imperial and international conferences. 529-31.

Donation to Bihar Earthquake Relief Fund. 416.

Indianization of the Indian Civil Service. 24-27.

New scales of pay for the imperial services at reduced rates. 403-05, 411.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 17-18.

Protection to the silk industry. 264, 266.

Sugar (Excise Duty) Bill—

Motion to consider. 852-55.

Wheat Import Duty (Extending) Bill—

Motion to consider. 370-71.

**BARRACKPORE RACECOURSE EXTENSION—**

Question *re —*, Eastern Bengal Railway. 543.

**BASU, THE HONOURABLE MR. BIJAY KUMAR—**

Election of — to the Standing Committee on Emigration. 247.

General discussion of the General Budget for 1934-35. 289, 313, 327-30.

General discussion of the Railway Budget for 1934-35. 220, 221, 235-38.

Nomination of — to the Panel of Chairmen. 13.

Question *re* provision of raised platforms and ladies' waiting room at Salar railway station on the Bandel-Barharwa Section, East Indian Railway. 175.

Question (supplementary) *re* certain alleged events in connection with the visit of the Royal Garhwal Regiment to Midnapore. 358.

Reserve Bank of India Bill—

Motion to consider. 42, 54, 65, 100-02, 106.

Consideration of clause 15. 134.

Motion to pass. 145, 157.

Resolution *re—*

Communal representation on State Railways. 484, 486.

Reference of important Bills to Joint Select Committees. 449-50, 451, 452.



**BENLOE—**

Question *re* comparative rents of quarters in Summer Hill and —. 733.

**BENGAL MUSLIM INDIAN CIVIL SERVICE OFFICERS—**

Question *re* number of — serving in the Government of India Secretariat. 933.

**BENGAL MUSLIMS—**

Question *re*—

Percentage of — in the Customs Office, Calcutta. 809.

Percentage of — to the whole Muslim population in British India. 932-33.

Representation of — in services under the Government of India. 933.

**BHORE, THE HONOURABLE SIR JOSEPH—**

Congratulations to — on the successful termination of the Indo-Japanese negotiations. 748.

General discussion of the Railway Budget for 1934-35. 242-46.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 756-60.

**BIHAR—**

Question *re* relief committees in —. 545-46.

See "EARTHQUAKE".

**BIHAR AND ORISSA MUSLIMS—**

Question *re* number of — serving in the Government of India Secretariat and Attached Offices. 933-34.

**BIHAR EARTHQUAKE RELIEF FUND—**

Resolution *re* donation to —. 411-21.

**BIHARI EMPLOYEES—**

Question *re* Government aid to — of the Pusa Institute. 807.

**BILL(s)—**

Cotton Textile Industry Protection (Amendment) —

Passed by the Legislative Assembly. 269.

Motion to consider. 375.

Motion to pass. 375.

Passed. 375.

Imperial Bank of India, (Amendment)

Passed by the Legislative Assembly. 19.

Motion to consider. 163-65.

Motion to pass. 165.

Passed. 165.

Indian Finance —, 1934—

Passed by the Legislative Assembly. 563.

Deprecatory remarks by the Honourable the President on the policy of Government in rushing the — through the Council. 563-64.

**BILL(s)—*contd.***

Indian Finance —, 1934—*contd.*

Motion to consider. 565-607.

Consideration of clause 2. 609-12.

Consideration of clause 4; and

Schedule I. 612-22.

Consideration of clause 5. and

Schedule II. 623-28.

Motion to pass. 628-31.

Passed. 631.

Indian Medical Council (Amendment)

Passed by the Legislative Assembly. 270.

Motion to consider. 373-74.

Motion to pass. 375.

Passed. 375.

Indian States (Protection) —

Passed by the Legislative Assembly. 647.

Motion to consider. 656-98.

Consideration of clause 2. 701-04.

Consideration of clause 3. 704-21.

Motion to pass. 721-32.

Passed. 732.

Indian Tariff (Amendment) —

Passed by the Legislative Assembly. 147.

Motion to consider. 175-92.

Consideration of the Schedule. 192-95.

Motion to pass. 195.

Passed. 195.

Indian Tariff (Second Amendment)

Assent of the Governor General. 19.

Indian Tariff (Textile Protection) Amendment —

Passed by the Legislative Assembly. 701.

Motion to consider. 748-806, 809-18.

Consideration of the Schedule, item 9. 818-27.

Motion to pass. 827.

Passed. 827.

Indian Trusts (Amendment) —

Motion to introduce. 564-65.

Motion to consider. 648-49.

Motion to pass. 649.

Passed. 649.

Khaddar (Name Protection) —

Passed by the Legislative Assembly. 22.

Motion to consider. 422-23.

Motion to pass. 424.

Passed. 424.

Matches (Excise Duty) —

Passed by the Legislative Assembly. 809.

Motion to consider. 961.

Consideration of clause 7. 961-62.

Motion to pass. 962-63.

Passed. 963.

**BILL(s)—*contd.***

**Reserve Bank of India —**

Passed by the Legislative Assembly.  
19.

Motion to consider. 38-69, 79-111.

Point of order raised that the — was not in order as a Motion had been adopted that the Bill be referred to a Joint Select Committee of both Chambers and until that Committee reported, the — could not be considered within one year.  
42.

Ruling by the Honourable the President that the point of order raised was not at all sustainable and that notice should have been given of such an important objection.  
42.

Consideration of clause 2. 113-15.

Consideration of clause 4. 115-25.

Consideration of clause 8. 125-30.

Consideration of clause 9. 130-31.

Consideration of clause 13. 131-32.

Consideration of clause 14. 132-33.

Consideration of clause 15. 133-36.

Consideration of clause 17. 136-37.

Consideration of clause 40. 137-41.

Consideration of clause 48. 141.

Consideration of Third Schedule.  
141-44.

Consideration of Fifth Schedule.  
144.

Consideration of clause 1. 144.

Motion to pass. 144-46, 147-63.

Passed. 163.

Amendments made by the Council of State agreed to by the Legislative Assembly. 269.

Resolution re reference of important — to Joint Select Committees.  
437-54.

**Salt Additional Import Duty (Extending) —**

Passed by the Legislative Assembly.  
587.

Motion to consider. 631-35.

Motion to pass. 635.

Passed. 635.

**Steel and Wire Industries Protection (Extending) —**

Passed by the Legislative Assembly.  
270.

Motion to consider. 375-76.

Motion to pass. 376.

Passed. 376.

**Sugar-cane —**

Passed by the Legislative Assembly.  
747.

Motion to consider. 907-30.

Consideration of clause 3. 934-35.

Consideration of clause 1. 935-39.

Motion to pass. 939-54.

Passed. 955.

**BILL(s)—*concl.***

**Sugar (Excise Duty) —**

Passed by the Legislative Assembly.  
747.

Motion to consider. 850-92.

Consideration of clause 2. 893.

Consideration of clause 3. 893-99.

Consideration of clause 11. 899-902.

Motion to pass. 903-07.

Passed. 907.

**Trade Disputes (Extending) —**

Passed by the Legislative Assembly.  
747

Motion to consider. 847-50

Motion to pass. 850.

Passed. 850.

**Wheat Import Duty (Extending) —**

Passed by the Legislative Assembly.  
269.

Motion to consider. 367-73.

Motion to pass. 373.

Passed. 373.

**BLACK PAINT—**

**Question re—**

Use of — on the East Indian Railway. 359-60.

Use of — on the Eastern Bengal Railway. 359.

Statement (laid on the table) re use of — by the East Indian and Eastern Bengal Railways. 746.

**BOMBAY MILLOWNERS—**

Question re Textile Agreement between the — and Lancashire delegation.  
547-48.

**BOMBAY PRESIDENCY—**

Question re recruitment of other presidency men to offices in the —.  
379-80.

**BRIDGE—**

See "RAILWAY —".

**BRITISH ARMY—**

**Question re—**

Average period of service of different arms of the —. 167-68.

Leave reserve for officers in the Indian or —. 643.

**BRITISH INFANTRY SOLDIER—**

Question re cost of recruiting and training a —. 637-38.

**BRITISH UNITS—**

Question re number of — in the Indian Army. 561-62.

**BUDGET—**

See "GENERAL —".

See "RAILWAY —".

**BUSINESS—**

See "STATEMENT OF —".

**BUTA SINGH, THE HONOURABLE SARDAR—**

- Election of — to the Standing Committee for the Department of Education, Health and Lands. 247.
- General discussion of the General Budget for 1934-35. 347-48.
- General discussion of the Railway Budget for 1934-35. 224.
- Indian States (Protection) Bill—  
Motion to consider. 685-86.
- Reserve Bank of India Bill—  
Motion to consider. 57-58.
- Resolution re survey of the position of Indian industries. 433.
- Sugar-cane Bill—  
Motion to consider. 923-24.

**C****CALCUTTA—**

- Question re linking up of Darjeeling with —, etc., by aeroplanes, etc. 365.

**CAPITATION CHARGES—**

- Question re — before, during and after the Great War. 495.

**CAPITATION RATE TRIBUNAL—**

- Resolution re publication of the report of the —, etc. 499-519.

**CATTLE—**

- See "WILD —".

**CELLULAR JAIL, PORT BLAIR—**

- Question re delay in communications with detenus confined in the —. 547.

**CENTRAL ADVISORY COUNCIL FOR RAILWAYS—**

- Election of six non-official Members to the —. 747.
- Motion for the election of six non-official Members to the —. 647.
- Nominations for the election of six non-official Members to the —. 698.
- Request by the Honourable Rai Bahadur Lala Jagdish Prasad that if the proceedings of the — is circulated to Members of the Assembly, Government would be pleased to circulate them to the Members of the Council also. 647.
- Result of the election of six non-official Members to the —. 847.

**CENTRAL BOARD OF REVENUE MINISTERIAL OFFICERS' UNION, BOMBAY—**

- Question re —. 378.

**CENTRAL BOOK DEPOT, CALCUTTA—**

- Question re —, 220.

**CENTRAL HEALTH BOARD—**

- Question re —. 546.

**CENTRAL PUBLICATION BRANCH—**

- Question re—

- Discrepancies in respect of publications in the —. 558.
- Inadequate staff in the —. 557.
- Promotion of day-extra staff in the —. 553-54.
- Recruitment in the — after transfer. 553.
- Representation of Muslims in the —. 551-52.

**CETLONESE—**

- Question re admission of — to the Indian Civil Service. 362.

**CHAIRMEN, PANEL OF—**

- Message from His Excellency the Governor General nominating Members of the Council of State to be on the —. 13.

**CHARANJIT SINGH, THE HONOURABLE RAJA—**

- Election of — to the Central Advisory Council for Railways. 847.
- General discussion of the Railway Budget for 1934-35. 238.
- Nomination of — as Chairman of the Committee on Petitions. 14.
- Reserve Bank of India Bill—  
Motion to consider. 102-03.

**CHETTI, THE HONOURABLE DIWAN BAHADUR G. NARAYANASWAMI—**

- Election of — to the Central Advisory Council for Railways. 847.
- Election of — to the Standing Committee for Roads. 747.
- General discussion of the General Budget for 1934-35. 294-97.
- General discussion of the Railway Budget for 1934-35. 224-26.
- Indian Finance Bill, 1934—  
Motion to consider. 582-83.
- Indian States (Protection) Bill—  
Motion to consider. 686.
- Indian Tariff (Textile Protection) Amendment Bill—  
Motion to consider. 783-84.
- Resolution re—  
Economy on State-managed Railways. 459-60.
- Gold passes. 400.
- Road Development Fund. 833.
- Salt Additional Import Duty (Extending) Bill—  
Motion to consider. 634.
- Sugar (Excise Duty) Bill—  
Motion to consider. 865-66.

CHITTAGONG—

See "MILITARY GARRISON".

CHOKSY, THE HONOURABLE KHAN BAHADUR DR. SIR NASARVANJI—

General discussion of the Railway Budget for 1934-35. 217-18.

Indian Finance Bill, 1934—

Motion to consider. 587-91.

Indian Medical Council (Amendment) Bill—

Motion to consider. 374.

Indian States (Protection) Bill—

Motion to consider. 686-88.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 763, 764, 782, 813-14.

Question *re*—

Area under food crops. 3.

Area under non-food crops. 37-38.

Cinchona bark and quinine, etc. 2.

Underfeeding of rural population. 38.

Reserve Bank of India Bill—

Motion to consider. 93-97.

Resolution *re*—

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 18.

Publication of the report of the Capitation Rate Tribunal, etc. 517-18.

Recruitment to the Indian Medical Service. 385-87, 389.

Reference of important Bills to Joint Select Committees. 451.

Sugar (Excise Duty) Bill—

Motion to consider. 869-71.

CINCHONA BARK—

Question *re* — and quinine, etc. 2.

CIVIL AVIATION—

See "DIRECTOR OF —".

CIVIL DISOBEDIENCE MOVEMENT—

Question (short notice) *re* attitude of Government towards the meeting of Congress leaders in view of Mr. Gandhi's announcement regarding the suspension of the —. 551-52.

CIVIL UNEMPLOYMENT—

Question *re* percentage of Indian Medical Service officers kept in reserve for —. 643-44.

CLERICAL ESTABLISHMENT—

Question *re*—

— of the New Custom House, Bombay. 377.

Extent to which the — of the New Custom House, Bombay, participate in sports. 378.

Percentage of leave reserve in the — of the Income-tax Office, New Custom House, Accountant General's Office and the Post Office in Bombay. 377.

CLERKS—

See "ATTACHED OFFICE —".

See "SECRETARIAT —".

CLOW, THE HONOURABLE MR. A. G.—

Oath of Office. 455.

COMMANDER-IN-CHIEF, HIS EXCELLENCY THE—

Resolution *re* publication of the report of the Capitation Rate Tribunal, etc. 511-17.

COMMERCIAL TREATIES—

Statement (laid on the table) *re* — and Notes affecting India. 646.

COMMITTEE ON PETITIONS—

Constitution of the —. 14.

COMMUNAL REPRESENTATION—

Resolution *re* — on State Railways. 481-86.

COMMUNICATIONS—

Question *re* delay in — with detenus confined in the Cellular Jail, Port Blair. 547.

COMPARTMENTS—

See "RESERVED —".

COMPENSATORY ALLOWANCES—

Question *re* grant of — to Income-tax Officers and Assistant Income-tax Officers in Bombay City. 381-82.

CONCESSION RATE—

Question *re* special — for conveyance of motor cars belonging to railway officers. 644.

CONFERENCE—

See "ECONOMIC —".

CONFERENCE OF PROVINCIAL MINISTERS—

Question *re* publication of the proceedings of the —. 700.

CONFERENCE OF REGISTRARS OF CO-OPERATIVE SOCIETIES—

Question *re* agreed proposals of the —. 361.

CONGRATULATIONS—

— to the Honourable Sir Harry Haig on his appointment as Governor of the United Provinces. 839.

— to the Honourable Sir Joseph Bhore on the successful termination of the Indo-Japanese negotiations. 748.

— to the Honourable Sir Kurma Venkata Reddi on his appointment to the Executive Council of Madras. 563.

— to the Honourable Rai Bahadur Promode Chandra Dutt on his appointment to the Executive Council of Assam. 270.

## CONGRESS LEADERS—

Question (short notice) re attitude of Government towards the meeting of — in view of Mr. Gandhi's announcement regarding the suspension of the civil disobedience movement, 651-52.

## CONTROLLER OF PRINTING AND STATIONERY—

Question re—

Strength of gazetted and non-gazetted staff, etc., in the offices under the —, 554-55.

Vacancies that have occurred and been filled up in offices under the —, 556-57.

## CO-OPERATION—

See "IMPERIAL COUNCIL ON —".

## CO-OPERATIVE COUNCIL—

See "ALL-INDIA —".

## CO-OPERATIVE SOCIETIES—

See "CONFERENCE OF REGISTRARS OF —".

## COTTON TEXTILE INDUSTRY PROTECTION (AMENDMENT) BILL—

See "—" under "BILL(s)".

## COWS—

See "WILD —".

## CROPS—

Question re—

Area under food —, 3.  
Area under non-food —, 37-38.

## CROSTHWAITE, THE HONOURABLE MR. H. S.—

Oath of Office. 637.

## CURRENCY NOTE PRESS—

Question re —, Security Printing, Nasik. 249.

## CUSTOMS OFFICE, CALCUTTA—

Question re percentage of Bengal Muslims in the —, 809.

## CRYPTER BUREAU—

Question re —, 7-8.

## D

## DACCANARAYANGANJ SECTION—

Question re retrenchment in the Mymensingh-Jagannathganj and —, Eastern Bengal Railway. 8.

## DAMPING—

Question re linking up of — with Calcutta, etc., by aeroplane, etc. 365.

## DAY-EXTRA STAFF—

Question re promotion of — in the Central Publication Branch. 553-54.

## DEATH—

Expression of regret in connection with the — of Mr. Abdul Hamid. 1.

Expressions of regret in connection with the — of Raja Sir Moti Chand. 495-97.

Expressions of regret in connection with the — of the Right Honourable Sir Dinshaw Mulla. 934.

Expressions of regret in connection with the — of Sir Charles Watson. 269.

Expressions of regret in connection with the — of Sir Sankaran Nair. 840-44.

Expressions of regret in connection with the — of Sir Thomas Ryan. 427-28.

Question re — of Hari Pada Bagchi, detenu in the Deoli Detention Jail. 250.

Statement (laid on the table) re — of Hari Pada Bagchi, detenu in the Deoli Detention Jail. 13.

## DELEGATION(s)—

See "INDIAN —".

See "LANCASHIRE —".

## DELHI EXHIBITION—

Question re demonstrations of "Ghosh's Cottage Industry Cotton Spinning Plant" at the —, 809.

## DEOLI DETENTION JAIL—

Question re—

Death of Hari Pada Bagchi, detenu in the —, 260.

Sailesh Chandra Nag, detenu in the —, 76.

Statement (laid on the table) re death of Hari Pada Bagchi, detenu in the —, 13.

## DEPARTMENT OF EDUCATION, HEALTH AND LANDS—

Election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the —, 247.

Motion for the election of two non-official Members to the Standing Committee to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage" dealt with in the —, 173.

## "DEPRESSED CLASSES"—

Question re definition of "Harijans" or — for purposes of election. 642.

**DEFERRENTS—**

**Question re—**

Delay in communications with —  
confined in the Cellular Jail,  
Port Blair. 547.

Supply of information concerning  
the health of — to their rela-  
tives. 548.

**DEVADOSS, THE HONOURABLE SIR  
DAVID—**

Election of — to the Standing  
Committee for the Department of  
Education, Health and Lands. 247.

General discussion of the General  
Budget for 1934-35. 290.

Nomination of — as a member of  
the Committee on Petitions. 14.

Indian States (Protection) Bill—

Motion to consider. 677, 690.

Consideration of clause 3. 707, 714-  
17.

Motion to pass. 731.

Indian Trusts (Amendment) Bill—

Motion to consider. 648-49.

Reserve Bank of India Bill—

Motion to consider. 103-05.

Consideration of clause 4. 119.

**Resolution re—**

Laying of papers of the Joint Par-  
liamentary Committee on the  
table. 467, 475.

New scales of pay for the imperial  
services at reduced rates of pay.  
409.

Road Development Fund. 832-33,  
835.

Sugar (Excise Duty) Bill—

Motion to consider. 886-87.

**DIRECTOR OF CIVIL AVIATION—**

Question re —. 75.

**DIRECTOR, REGULATIONS AND FORMS,  
ARMY DEPARTMENT—**

Question re —. 6.

**DISCREPANCIES—**

Question re — in respect of publica-  
tions in the Central Publication  
Branch. 558.

**DISSOLUTION—**

Question (short notice) re — of the  
Legislative Assembly. 651.

**DISTRICT BOARDS—**

Question re names of — in the  
Punjab interested in horse-breed-  
ing. 743-44.

**DONATION—**

Resolution re — to Bihar Earth-  
quake Relief Fund. 411-21.

**DUTT, THE HONOURABLE RAI BAHADUR  
PROMODE CHANDRA—**

Congratulations to — on his appoint-  
ment to the Executive Council of  
Assam. 270.

**DUTT, THE HONOURABLE RAI BAHADUR  
PROMODE CHANDRA—contd.**

General discussion of the General  
Budget for 1934-35. 314-18.

General discussion of the Railway  
Budget for 1934-35. 211-13.

Reserve Bank of India Bill—

Motion to pass. 151-52.

Resolution re placing on record the  
deep sympathy of the Council with  
sufferers in the recent earthquake.  
16.

**DUTY—**

See "EXPORT —".

See "JUTE EXPORT —".

**E**

**EARTHQUAKE—**

**Question re—**

Amount of loss at the Pusa Insti-  
tute due to the —. 808.

Bihar —. 541-42.

Condition of the sugar cultivation  
and sugar industry in the area  
affected by the — in Bihar.  
699-700.

Resolution re placing on record the  
deep sympathy of the Council with  
sufferers in the recent —. 14-19.

**EARTHQUAKE RELIEF FUND—**

See "BIHAR —".

**EAST INDIAN RAILWAY—**

See "—" under "RAILWAY(S)".

**EAST INDIAN RAILWAY MUSLIM EM-  
PLOYEES' ASSOCIATION, LUCKNOW—**

Question re —. 363.

**EASTERN BENGAL RAILWAY—**

See "—" under "RAILWAY(S)".

**ECONOMIC CONFERENCE—**

Question re — and resolutions  
recorded. 807.

**ECONOMIC ENQUIRY—**

Question re —. 77-78.

**ECONOMY—**

Resolution re — on State-managed  
Railways. 455-65.

**EDUCATION, HEALTH AND LANDS, DEPART-  
MENT OF—**

Election of two non-official Members  
to the Standing Committee to  
advise on subjects other than  
"Indians Overseas—Emigration"  
and "Haj Pilgrimage" dealt with  
in the —. 247.

Motion for the election of two non-  
official Members to the Standing  
Committee to advise on subjects  
other than "Indians Overseas—  
Emigration" and "Haj Pilgrimage"  
dealt with in the —. 173.

**ELECTION—**

Question *re* definition of "Harijans" or "Depressed Classes" for purposes of —. 642.

**EMIGRATION—**

Election of a non-official Member to the Standing Committee on — *vice* the Honourable Sir Kurma Venkata Reddi. 747.

Election of four non-official Members to the Standing Committee on —. 247.

Motion for the election of four non-official Members to the Standing Committee on —. 174.

Motion for the election of one non-official Member to the Standing Committee on — *vice* the Honourable Sir Kurma Venkata Reddi. 656.

**EMPLOYMENT—**

Question *re* — of sons and near relatives of Government servants in Government offices. 379.

**EXAMINERS—**

Question *re* number of inspectors and — in the Income-tax Office, Bombay. 380-81.

**EXECUTIVE COUNCIL OF ASSAM—**

Congratulations to the Honourable Rai Bahadur Promode Chandra Dutt on his appointment to the —. 270.

**EXECUTIVE COUNCIL OF MADRAS—**

Congratulations to the Honourable Sir Kurma Venkata Reddi on his appointment to the —. 563.

**EXECUTIVE ENGINEER'S OFFICE, DACCA—**

Question *re* —, Eastern Bengal Railway. 8.

**EXPORT DUTY—**

Question *re* —  
— on hides and skins. 356.  
Jute —. 71.

**EXPORT LICENSES—**

*See* "TEA —".

**EXTENSION OF SERVICE—**

Question *re* grant of — to railway employees who produce evidence showing that their ages are less than that shown in their service sheets. 839.

**FACTORIES—**

*See* "SUGAR —".

**FARMS—**

*See* "PASSENGER —".

**FAZL-I-HUSAIN, THE HONOURABLE KHAN BAHADUR MIAN S.R.—**

Indian Finance Bill, 1934—

Motion to consider. 604.

Indian Medical Council (Amendment) Bill—

Motion to consider. 373-74.

Motion to pass. 375.

Indian Trusts (Amendment) Bill—

Motion to introduce. 564-65.

Motion to consider. 648-49.

Motion to pass. 649.

Motion for the election of four non-official Members to the Standing Committee on Emigration. 174.

Motion for the election of one non-official Member to the Standing Committee on Emigration *vice* the Honourable Sir Kurma Venkata Reddi. 656.

Motion for the election of two non-official Members to the Standing Committee for the Department of Education, Health and Lands. 173.

Motion for the election of two non-official Muslim Members to the Standing Committee on Pilgrimage to the Hejaz. 19.

Motion for the election of one Muslim non-official Member to the Standing Committee on Pilgrimage to the Hejaz *vice* the Honourable Mr. Hossain Imam, resigned. 648.

Motion *re* Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 966.

**Resolution *re*—**

Composition of Indian delegations to imperial and international conferences. 531-34.

Donation to Bihar Earthquake Relief Fund. 421.

Establishment of an Imperial Council on Co-operation. 489-91, 492.

Laying of papers of the Joint Parliamentary Committee on the table. 468-69.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 14-15.

Recruitment to the Indian Medical Service. 392, 394.

Reference of important Bills to Joint Select Committees. 440-42, 444, 445, 452-53.

**Sugar-cone Bill—**

Motion to consider. 907-08, 920, 926-30.

Consideration of clause 3. 935.

Consideration of clause 1. 937-39.

Motion to pass. 939, 940, 943, 945, 948-54.

**Sugar (Excise Duty) Bill—**

Motion to consider. 864.

Motion to pass. 905-07.

**FINANCE BILL—**

See "INDIAN —, 1934," under "BILL(s)".

**FIREARMS—**

Question re sale of confiscated —. 544, 544-45.

**FRAUD—**

Question re — and misappropriation on the Eastern Bengal Railway. 7.

**FUND—**

See "ROAD DEVELOPMENT —."

**G**

**GANDHI, MR.—**

Question (short notice) re attitude of Government towards the meeting of Congress leaders in view of —'s announcement regarding the suspension of the civil disobedience movement. 651-52.

**GARRISON—**

See "MILITARY —".

**GAZETTED STAFF—**

Question re strength of non-gazetted and —, etc., in the offices under the Controller of Printing and Stationery. 554-55.

**GENERAL BUDGET—**

General discussion of the — for 1934-35. 285-354.

Message from His Excellency the Governor General appointing days for the presentation and general discussion of the —. 14.

Presentation of the — for 1934-35. 270-83.

**GLANCY, THE HONOURABLE MR. B. J.—**

Indian States (Protection) Bill—

Consideration of clause 3. 718-20.

Oath of Office. 71, 637.

**GLASS, THE HONOURABLE MR. B. J.—**

General discussion of the General Budget for 1934-35. 318-21.

General discussion of the Railway Budget for 1934-35. 222-24.

Indian Finance Bill, 1934—

Motion to consider. 578-80.

Motion to pass. 630-31.

Resolution re protection to the silk industry. 263.

**GOLD PASSES—**

Resolution re —. 396-403.

**GRADUATES—**

Question re issue of general orders that — and matriculates should not be granted pay higher than the prescribed minima. 379.

**GREAT WAR—**

Question re capitation charges before, during and after the —. 495.

**GUPTA, ANANDA MOHAN—**

Question re health of —, detenu in the Andamans. 547.

**GHOSH MAULIK, THE HONOURABLE MR. SATYENDRA CHANDRA—**

Indian Tariff (Amendment) Bill—

Consideration of Schedule. 193-94.

Nomination of — as a member of the Committee on Petitions. 14.

Question re—

Barrackpore Racecourse Extension, Eastern Bengal Railway. 543.

Expenditure incurred on the Public Service Commission and number of Indian Members. 643.

Leave reserve for officers in the British and Indian Army. 643.

Number of officers holding high appointments in the Political Department of the Government of India. 642.

Passenger fares on railways. 543-44.

Percentage of Indian Medical Service officers kept in reserve for civil employment. 643-44.

Revenue derived from income-tax in each province. 644-45.

Sale of confiscated firearms. 544, 544-45.

Special concession rate for conveyance of motor cars belonging to railway officers. 644.

Vocational training of Indian soldiers with a view to employment in civil life after discharge. 644.

Question (supplementary) re—

Disposal of molasses in sugar factories. 361-62.

Government aid to Bihari employees of the Pusa Institute. 807.

Quantity and class of timber purchased by State Railways. 739

Reserve Bank of India Bill—

Motion to pass. 149-50.

Resolution re economy on State-managed Railways. 458-59.

Sugar (Excise Duty) Bill—

Motion to consider. 881.

**"GHOSH'S COTTAGE INDUSTRY COTTON SPINNING PLANT"—**

Question re demonstrations of — at the Delhi Exhibition. 809.

**GOUNDER, THE HONOURABLE MR. V. C. VELLINGRI—**

General discussion of the General Budget for 1934-35. 341-42.

General discussion of the Railway Budget for 1934-35. 338-40.



GROUND, THE HONOURABLE MR. V. C. VELLINGIRI—*contd.*

Question *re*—

Amount of loss at the Pusa Institute due to the earthquake. 808.

Comparative rents of quarters in Summer Hill and Bemloe. 733.

Demonstrations of "Ghosh's Cottage Industry Cotton Spinning Plant" at the Delhi Exhibition. 809.

Desirability of revising existing rules for the allotment of "A" type quarters in Summer Hill. 735.

Desirability of revising existing rules governing allotments of higher class quarters in Simla to persons not entitled to house rent. 735-36.

Differentiation in pay limits for the purpose of title to unorthodox and orthodox quarters in Simla. 734-35.

Economic conference and resolutions recorded. 807.

Form of encouragement given by Government to unbound horse-breeding areas. 742.

Government aid to Bihari employees of the Pusa Institute. 807.

Horse-breeding areas in India. 426-27.

Horse-breeding industry in India. 427.

Import of military horses, race horses and mules. 425-26.

Investigations at the Pusa Institute in regard to the commercial possibilities of manufacturing pearl barley and oatmeal in India. 808.

Method adopted by the Army for the selection and purchase of horses from bound and unbound areas. 743.

Names of district boards in the Punjab interested in horse-breeding. 743-44.

Nature of control exercised by Government over bound horse-breeding areas. 741-42.

Number and value of Indian-bred horses secured for army purposes from the various bound and unbound horse-breeding areas of the Punjab. 740-41.

Number of horse-breeding colonies established by Government. 744-45.

Operation of rules for the allotment of unorthodox quarters in the case of Secretariat and Attached Office clerks. 734.

GROUND, THE HONOURABLE MR. V. C. VELLINGIRI—*concl.*

Question *re*—*contd.*

Preference to Secretariat clerks over Attached Office clerks in the allotment of quarters so long as the rent recoverable from the former is greater than that recoverable from the latter. 736.

Similarity of treatment to Secretariat and Attached Office clerks in calculation of rents of non-entitled quarters. 734.

Resolution *re*—

Donation to Bihar Earthquake Relief Fund. 418-19.

Protection to the silk industry. 259-63, 267.

GOVERNMENT OF BOMBAY—

Statement (laid on the table) *re* rules governing recruitment to the provincial and subordinate services of the —. 647.

GOVERNMENT OF INDIA—

Question *re*—

Number of officers holding high appointments in the Political Department of the —. 642.

Representation of Bengal Muslims in services under the —. 933.

GOVERNMENT OF INDIA SECRETARIAT—

Question *re*—

Number of Bengal Muslim Indian Civil Service officers serving in the —. 933.

Number of Bihar and Orissa Muslims serving in the — and Attached Offices. 933-34.

GOVERNMENT OF INDIA PRESSES—

Question *re*—

Heads of industrial sections in —. 550.

Number of ten-hour basis men in —, etc. 550-51.

Ten-hour basis men in the —, New Delhi. 550.

GOVERNMENT OFFICES—

Question *re* employment of sons and near relatives of Government servants in —. 379.

GOVERNMENT SERVANTS—

Question *re* employment of sons and near relatives of — in Government offices. 379.

**GOVERNOR GENERAL, HIS EXCELLENCY THE—**

Message, from — appointing days for the presentation and general discussion of the General Budget. 14.

Message from — appointing days for the presentation and general discussion of the Railway Budget. 13.

Message, from — directing that the heads of expenditure specified in sub-section (3) of section 67A of the Government of India Act shall be open to discussion when the Budget is under consideration. 14.

Message from — nominating Members of the Council of State to be on the Panel of Chairmen. 13.

**GOVERNOR OF THE UNITED PROVINCES—**

Congratulations to the Honourable Sir Harry Haig on his appointment as —. 839.

**H.**

**HABIBULLAH, THE HONOURABLE NAWAB KHWAJA—**

Resolution *re* gold passes. 400.

**HAFEEZ, THE HONOURABLE KHAN BAHADUR, SYED ABDUL—**  
Election of — to the Central Advisory Council for Railways. 847.

General discussion of the General Budget for 1934-35. 348-49.

Indian Finance Bill, 1934—

Motion to pass. 630.

Indian Tariff (Amendment) Bill—

Motion to consider. 191.

Nomination of — as a member of the Committee on Petitions. 14.

Question *re*—

Appointment of Muslims as High Commissioner and Indian Trade Commissioner. 808.

Discrepancies in respect of publications in the Central Publication Branch. 558.

Inadequate staff in the Central Publication Branch. 557.

Income-tax Department, Bengal. 21.

Number of Bengal Muslim Indian Civil Service officers serving in the Government of India Secretariat. 833.

Number of Bihar and Orissa Muslims serving in the Government of India Secretariat and Attached Offices. 933-34.

Percentage of Bengal Muslims in the Customs Office, Calcutta. 809.

Percentage of Bengali Muslims to the whole Muslim population in British India. 932-33.

**HAFEEZ, THE HONOURABLE KHAN BAHADUR SYED ABDUL—*contd.***

Question *re—contd.*

Promotion of day-extra staff in the Central Publication Branch. 553-54.

Recruitment in the Central Publication Branch after transfer. 553.

Representation of Bengal Muslims in services under the Government of India. 933.

Representation of minority communities in the services. 556.

Representation of Muslims in the Agent's Office, East Indian Railway and Agent's Office, Eastern Bengal Railway. 543.

Representation of Muslims in the Central Publication Branch. 551-52.

Strength of gazetted and non-gazetted staff, etc., in the offices under the Controller of Printing and Stationery. 554-55.

Vacancies that have occurred and been filled up in offices under the Controller of Printing and Stationery. 556-57.

Resolution *re* reference of important Bills to Joint Select Committees. 448.

**HAIG, THE HONOURABLE SIR HARRY—**

Congratulations to — on his appointment as Governor of the United Provinces. 839.

Indian States (Protection) Bill—

Motion to consider. 665, 676-77, 695-97.

**HALLETT, THE HONOURABLE MR. M. G.—**

Indian States (Protection) Bill—

Motion to consider. 656-60, 665.

Consideration of clause 3. 705, 713.

Motion to pass. 721, 731-32.

Resolution *re*—

Indianization of the Indian Civil Service. 28-32.

New scales of pay for the imperial services at reduced rates of pay. 409-10.

**HAMID, MR. ABDUL—**

Expression of regret in connection with the death of —. 1.

**HARDWAR RAILWAY STATION—**

Question *re* —, East Indian Railway. 739.

**"HARIJANS"—**

Question *re* definition of — or "Depressed Classes" for purposes of election. 642.

**HEALTH—****Question re—**

— of Anapda Mohan Gupta,  
detenu in the Andamans. 547.

Supply of information concerning  
the — of detenus to their  
relatives. 548.

**HEALTH BOARD—**

See "CENTRAL —."

**HENDERSON, THE HONOURABLE MR.  
J. S.—**

General discussion of the General  
Budget for 1934-35. 325-26.

Indian Finance Bill, 1934—

Motion to consider. 585-87.

Reserve Bank of India Bill—

Motion to pass. 148-49.

Resolution re composition of Indian  
delegations to imperial and inter-  
national conferences. 522-23, 525.

**HIDES—**

Question re export duty on — and  
skins. 356.

**HIGH COMMISSIONER FOR INDIA—**

Question re appointment of Muslims  
as — and Indian Trade Com-  
missioner. 808.

**HOMOEOPATHIC SYSTEM OF MEDICINE—**

Question re — in India. 357.

**HORSE-BREEDING—**

Question re names of district boards  
in the Punjab interested in —.  
743-44.

**HORSE-BREEDING AREAS—****Question re—**

Form of encouragement given by  
Government to unbound —.  
742.

— in India. 426-27.

Nature of control exercised by  
Government over bound —.  
741-42.

Number and value of Indian-bred  
horses secured for army purposes  
from the various bound and un-  
bound — of the Punjab. 740-41.

**HORSE-BREEDING COLONIES—**

Question re number of — established  
by Government. 744-45.

**HORSE-BREEDING INDUSTRY—**

Question re — in India. 427.

**HORSES—**

Question re method adopted by the  
Army for the selection and purchase  
of — from bound and unbound  
areas. 743.

See "INDIAN-BRED —."

See "MILITARY —."

See "RACE —."

**HOSSAIN IMAM, THE HONOURABLE MR.—**

Election of — to the Standing  
Committee on Pilgrimage to the  
Hejaz. 174.

General discussion of the General  
Budget for 1934-35. 330-32.

General discussion of the Railway  
Budget for 1934-35. 216, 226-33, 242.

Indian Finance Bill, 1934—

Motion to consider. 592-600.

Consideration of clause 4 and Sche-  
dule I. 618.

Consideration of clause 5. 625.

Motion to pass. 629-30.

Indian States (Protection) Bill—

Motion to consider. 665, 671-82,  
683, 693.

Consideration of clause 2. 701, 702.

Consideration of clause 3. 712-14,  
716, 717.

Motion to pass. 725-26, 728, 729.

Indian Tariff (Amendment) Bill—

Motion to consider. 185-88.

Indian Tariff (Textile Protection)  
Amendment Bill—

Motion to consider. 751, 769, 777,  
778, 782, 787, 803, 809-13, 816, 817

Consideration of the Schedule, item  
9. 818-19, 820, 825, 827.

Matches (Excise Duty) Bill—

Motion to consider. 957-59.

Motion to pass. 962-63.

**Question re—**

Average period of service of different  
arms of the British Army. 167-68.

Capitation charges before, during  
and after the Great War. 495.

Cost of recruiting and training a  
British infantry soldier. 637-38.

**Question (supplementary) re—**

Annual cost of transport of troops  
in 1913-14, 1925-26 and 1933-34.  
562.

Condition of the sugar cultivation  
and sugar industry in the area  
affected by the earthquake in  
Bihar. 700.

Export duty on hides and skins.  
356.

Indians in the Royal Air Force and  
Indian Air Force. 75-76.

Slaughter of wild cows, etc., at  
Manjha Guptar Ghat in Ajodhia.  
559.

**Reserve Bank of India Bill—**

Motion to consider. 59-69, 79-85, 86,  
87, 88, 89, 90, 91, 103.

Point of order raised by — that  
the — was not in order as it  
was referred to a Joint Select  
Committee of both Chambers and  
until that Committee reported, the  
— could not be considered within  
one year. 42.

Consideration of clause 4. 124.

**HOSSAIN IMAM, THE HONOURABLE MR.—**  
*contd.*

**Reserve Bank of India, Bill—***contd.*  
Consideration of clause 15. 133-34.  
Consideration of clause 17. 136.  
Consideration of clause 40. 139.  
Consideration of Third Schedule. 143.

Motion to pass. 156, 158-62.

**Resolution re—**

Communal representation on State Railways. 483.

Composition of Indian delegations to imperial and international conferences. 534-36.

Donation to Bihar Earthquake Relief Fund. 416-18.

Economy on State-managed Railways. 455-58, 464-65.

Further revision and reduction of the new scales of pay, etc. 251-54, 257-58.

Laying of papers of the Joint Parliamentary Committee on the table. 465-68, 480-81.

New scales of pay for the imperial services at reduced rates. 406-07, 408.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 17.

Protection to the silk industry. 266-67.

Publication of the report of the Capitation Rate Tribunal, etc. 504-08.

Recruitment to the Indian Medical Service. 389, 392-94.

Reference of important Bills to Joint Select Committees. 446-48, 449.

Road Development Fund. 834.

**Salt Additional Import Duty (Extending) Bill—**

Motion to consider. 632.

**Steel and Wire Industries Protection (Extending) Bill—**

Motion to consider. 376.

**Sugar-cane Bill—**

Motion to consider. 915, 917-18, 921, 922.

Motion to pass. 944-45, 949, 952.

**Sugar (Excise Duty) Bill—**

Motion to consider. 881, 883-86.

Consideration of clause 3. 894-95, 898.

Consideration of clause 11. 901.

Motion to pass. 903, 905.

**Trade Disputes (Extending) Bill—**

Motion to consider. 848-49.

**HOUSE RENT—**

Question re desirability of revising existing rules governing allotments of higher class quarters in Simla to persons not entitled to —. 735-36.

**HUBBACK, THE HONOURABLE MR. J. A.—**

General discussion of the General Budget for 1934-35. 307-10.

General discussion of the Railway Budget for 1934-35. 215-16.

Oath of Office. 1.

Resolution re donation to Bihar Earthquake Relief Fund. 420.

# I

**IMPERIAL AND INTERNATIONAL CONFERENCES—**

Resolution re composition of Indian delegations to —. 519-38.

**IMPERIAL BANK OF INDIA (AMENDMENT) BILL—**

See "—" under "BILL(s)."

**IMPERIAL COUNCIL ON CO-OPERATION—**

Resolution re establishment of an —. 486-93.

**IMPERIAL SERVICES—**

Question re pay for future entrants to the All-India or —. 367.

Resolution re new scales of pay for the — at reduced rates. 403-11.

**INCOME-TAX—**

Question re—

Non-payment of — by Pandit Jawaharlal Nehru. 545.

Revenue derived from — in each province. 644-45.

**INCOME-TAX DEPARTMENT—**

Question re —, Bengal. 21-22.

**INCOME-TAX OFFICE, BOMBAY—**

Question re—

Number of Income-tax Officers and Assistant Income-tax Officers appointed in the —, during the last three years. 380.

Number of inspectors and examiners in the —. 380-81.

Percentage of leave reserve in the clerical establishments of the New Custom House, Accountant General's Office, Post Office and the —. 377.

**INCOME-TAX OFFICERS—**

Question re—

Grant of compensatory allowances to — and Assistant Income-tax Officers in Bombay City. 381-82.

Number of — and Assistant Income-tax Officers appointed in the Income-tax Office, Bombay, during the last three years. 380.

Statement (laid on the table) re —, Bengal. 11-12.

**INDIAN AIR FORCE—**

Question re Indians in the Royal Air Force and —. 75-76.

INDIAN ARMY—

Question re—

Leave reserve for officers in the British or —. 643.  
Number of British units in the —. 561-62.

INDIAN-BRED HORSES—

Question re number and value of — secured for army purposes from the various bound and unbound horse-breeding areas of the Punjab. 740-41.

INDIAN CIVIL SERVICE—

Question re admission of Ceylonese to the —. 362.  
Resolution re Indianization of the —. 23-35.

INDIAN CIVIL SERVICE OFFICERS—

See "BENGAL MUSLIM —."

INDIAN DELEGATIONS—

Resolution re composition of — to imperial and international conferences. 519-38.

INDIAN FINANCE BILL, 1934—

See "—" under "BILL(s)."

INDIAN INDUSTRIES—

Resolution re survey of the position of —. 428-37.

INDIANIZATION—

Resolution re — of the Indian Civil Service. 23-35.

INDIAN MEDICAL COUNCIL (AMENDMENT) BILL—

See "—" under "BILL(s)."

INDIAN MEDICAL SERVICE—

Question re —. 3, 366.  
Resolution re recruitment to the —. 382-96.

INDIAN MEDICAL SERVICE OFFICERS—

Question re percentage of — kept in reserve for civil employment. 643-44.

INDIAN METEOROLOGICAL DEPARTMENT—

Question re —. 357.

INDIAN NATIONAL AIRWAYS CO., LTD.—

Question re carrying of air mails by —. 74

INDIANS—

Question re — in the Royal Air Force and Indian Air Force. 75-76.

INDIAN SOLDIERS—

Question re vocational training of — with a view to employment in civil life after discharge. 644

INDIAN STATES (PROTECTION) BILL—

See "—" under "BILL(s)."

INDIAN STORES DEPARTMENT—

Question re —. 360.

INDIAN TARIFFS (AMENDMENT) BILL—

See "—" under "BILL(s)."

INDIAN TARIFFS (SECOND AMENDMENT) BILL—

See "—" under "BILL(s)."

INDIAN TARIFF (TEXTILE PROTECTION) AMENDMENT BILL—

See "—" under "BILL(s)."

INDIAN TRADE COMMISSIONER—

Question re appointment of Muslims as High Commissioner and —. 808.

INDIAN TRUSTS (AMENDMENT) BILL—

See "—" under "BILL(s)."

INDUSTRIAL SECTIONS—

Question re heads of — in Government of India Presses. 550.

INDUSTRIES—

See "INDIAN —."

INDO-JAPANESE NEGOTIATIONS—

Congratulations to the Honourable Sir Joseph Bhoré on the successful termination of the —. 748.

INDO-JAPANESE TRADE AGREEMENT—

Question re —. 548.

INSPECTORS—

Question re—

— and lower selection grade sorters of the Railway Mail Service. 931-32.

Method employed in recruitment of — and lower selection grade sorters to the Railway Mail Service. 932.

Number of — and examiners in the Income-tax Office, Bombay. 380-81.

INSURANCE—

Question re compulsory — by motor omnibuses against passengers' and third party risks. 364.

INTERNATIONAL CONFERENCES—

See "IMPERIAL AND —."

J.

JAGDISH PRASAD, THE HONOURABLE RAI BAHADUR LALA—

General discussion of the General Budget for 1934-35. 338-41.

Indian Finance Bill, 1934—

Motion to consider. 591-92.

Consideration of clause 4. 614.

Consideration of Schedule II, clause 5. 626-27.

Indian States (Protection) Bill—

Consideration of clause 3. 704-06.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 760-62.

Consideration of the Schedule, item 9. 823-24.

**JAGDGISH PRASAD, THE HONOURABLE RAI BAHADUR LALA—*contd.***

Indian Trusts (Amendment) Bill—

Motion to consider. 648.

Khaddar (Name Protection) Bill—

Motion to consider. 423.

Nomination of — as a member of the Committee on Petitions. 14.

Question *re*—

Admission of Ceylonese to the Indian Civil Service. 362.

Certain alleged events in connection with the visit of the Royal Garhwal Regiment to Midnapore. 358.

Construction of a railway line from Kashipur to Kalagarh. 357-58.

East Indian Railway Muslim Employees' Association, Lucknow. 363.

Export duty on hides and skins. 356.

Grant of tea export licenses under the Tea Restrictions Scheme. 638-39.

Hardwar railway station, East Indian Railway. 739.

Homeopathic system of medicine in India. 357.

Indian Medical Service. 3, 366.

Indian Meteorological Department. 357.

Pay for future entrants to the Imperial or All-India Services. 367.

Quantity and class of timber purchased by State Railways. 736-39.

Recruitment to the Army in India Reserve of Officers. 355.

Restrictions imposed when the title of Raja is conferred in regard to possession, succession and disposal of property. 356.

Question (short notice) *re* attitude of Government towards the meeting of Congress leaders in view of Mr. Gandhi's announcement regarding the suspension of the civil disobedience movement. 651-52.

Question (supplementary) *re*—

Construction of a railway line from Kashipur to Kalagarh. 358.

Pay for future entrants to the Imperial or All-India Services. 367.

Request by — that if the proceedings of the Central Advisory Council for Railways is circulated to Members of the Assembly, Government would be pleased to circulate them to the Members of the Council also. 647.

Resolution *re*—

Composition of Indian delegations to imperial and international conferences. 519-22, 536-38.

Indianization of the Indian Civil Service. 23-24, 34-35.

**JAGDGISH PRASAD, THE HONOURABLE RAI BAHADUR LALA—*concl'd.***

Resolution *re*—*cont'd.*

Recruitment to the Indian Medical Service. 382-85, 388, 394-96.

Road Development Fund. 834.

Survey of the position of Indian industries. 428-32, 436-37.

Sugar-cane Bill—

Motion to consider. 914.

Sugar (Excise Duty) Bill—

Motion to consider. 866-69

Consideration of clause 3. 899.

Wheat Import Duty (Extending)—

Motion to consider. 371-72.

**JALAN, THE HONOURABLE RAI BAHADUR RADHA KRISHNA—**

Sugar (Excise Duty) Bill—

Motion to consider. 856-58.

**JOINT COMMITTEE—**

Question (short notice) *re* appointment of a — of both Houses to examine the working of the Ottawa Agreement. 645-46.

**JOINT PARLIAMENTARY COMMITTEE—**

Resolution *re* laying of papers of the — on the table. 465-81.

**JOINT SELECT COMMITTEES—**

Resolution *re* reference of important Bills to —. 437-54.

**JUTE—**

Question *re* — export duty. 71.

## K

**KALAGARH—**

*See* "RAILWAY LINE."

**KALIKAR, THE HONOURABLE MR. VINAYAK VITHAL—**

General discussion of the General Budget for 1934-35. 334-36.

General discussion of the Railway Budget for 1934-35. 233-35.

Indian Finance Bill, 1934—

Motion to consider. 574-77.

Motion to pass. 628-29.

Indian Tariff (Amendment) Bill—

Motion to consider. 184-85.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 763-66.

Indian States (Protection) Bill—

Motion to consider. 660-66.

Consideration of clause 5. 796-98.

Motion to pass. 723-24.

Question (short notice) *re*—

Attitude of Government towards the meeting of Congress leaders in view of Mr. Gandhi's announcement regarding the suspension of the civil disobedience movement. 651-52.

Dissolution of the Legislative Assembly. 651.

**KALIKAR, THE HONOURABLE MR. VINAYAK VITHAL—contd.**

Reserve Bank of India Bill—

Motion to pass. 144-46.

Resolution re—

Indianization of the Indian Civil Service. 33.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 16-17.

Publication of the report of the Capitation Rate Tribunal, etc. 502-04.

Road Development Fund. 832.

**KAMESHWAR SINGH OF DARBHANGA, THE HONOURABLE MAHARAJADHIRAJA SIR—**

Oath of Office. 541.

Question re—

Condition of the sugar cultivation and sugar industry in the area affected by the earthquake in Bihar. 699-700.

Publication of the proceedings of the Conference of Provincial Ministers. 700.

Sugar-cane Bill—

Motion to consider. 910-14, 922.

Sugar (Excise Duty) Bill—

Motion to consider. 855-56.

**KASHIPUR—**

See "RAILWAY LINE."

**KHADDAR (NAME PROTECTION) BILL—**

See "—" under "BILL(s)."

**KHAPARDE, THE HONOURABLE MR. G. S.—**  
Indian States (Protection) Bill—

Consideration of clause 3. 717-18.

Motion re Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 967.

Resolution re reference of important Bills to Joint Select Committees. 450-51.

## L

**LADIES' WAITING ROOM—**

Question re provision of raised platform and — at Salar railway station on the Bandel-Barharwa Section, East Indian Railway. 175.

**LANCASHIRE DELEGATION—**

Question re Textile Agreement between the Bombay millowners and —. 547-48.

**LAVATORIES—**

Question re — in third class carriages. 560.

**LEAVE RESERVE—**

Question re—

— for officers in the British and Indian Army. 643.

Percentage of — in the clerical establishments of the Income-tax Office, New Custom House, Accountant General's Office and the Post Office in Bombay. 377.

**LEGISLATIVE ASSEMBLY—**

Question (short notice) re dissolution of the —. 651.

**LICENCES—**

See "TEA EXPORT —."

**LIGHT RAILWAYS—**

Question re number and names of — that have to compete with road transport. 364.

**LINES—**

See "New —."

**LOANS—**

Question re — for road development. 363.

**LOSS—**

Question re amount of — at the Pusa Institute due to the earthquake. 808.

## M

**MANJHA GUPTAR GHAT—**

Question re slaughter of wild cows, etc., at — in Ajodhia. 558-59.

**MASTER GENERAL OF THE ORDNANCE BRANCH, ARMY HEADQUARTERS—**

Question re —. 6, 6-7.

**MATCHES (EXCISE DUTY) BILL—**

See "—" under "BILL(s)."

**MATRICULATES—**

Question re issue of general orders that graduates and — should not be granted pay higher than the prescribed minima. 379.

**MEDICAL ARRANGEMENTS—**

Question re — on steamers going to the Andamans. 365.

**MEDICAL COUNCIL (AMENDMENT) BILL—**

See "INDIAN —" under "BILL(s)."

**MEDICINE—**

See "HOMCEPATHIC SYSTEM OF —."

**MEGHNA RIVER—**

Question re railway bridge over —, Assam Bengal Railway. 72.

**MEHROTRA, THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD—**

Election of — to the Standing Committee on Emigration. 247.

General discussion of the General Budget for 1934-35. 333-34.

General discussion of the Railway Budget for 1934-35. 218-21.

Imperial Bank of India (Amendment) Bill—

Motion to consider. 164-65.

Indian Finance Bill, 1934—

Motion to consider. 566-71, 603.

Consideration of clause 2. 609, 610-12.

Consideration of clause 4, Schedule I. 612-14, 620-21, 622.

Consideration of clause 5. 623, 624, 626.

**MEHROTRA, THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD—*contd.***

**Indian Medical Council (Amendment) Bill—**

Motion to consider. 574.

**Indian Tariff (Amendment) Bill—**

Motion to consider. 178-79.

**Indian Tariff (Textile Protection) Amendment Bill—**

Motion to consider. 755, 768-72.

**Indian States (Protection) Bill—**

Motion to consider. 688-92.

Consideration of clause 2. 702.

Consideration of clause 3. 711-12.

Motion to pass. 722-23.

**Khaddar (Name Protection) Bill—**

Motion to consider. 422-23.

Motion to pass. 424.

**Motion *re* Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 965-66, 967.**

**Question *re*—**

Agreed proposals of the Conference of Registrars of Co-operative Societies. 361.

Disposal of molasses in sugar factories. 361-62.

Establishment of an All-India Co., operative Council. 361.

Imports of sugar and sugar candy. 362.

Inspectors and lower selection grade sorters of the Railway Mail Service. 931-32.

Method employed in recruitment of inspectors and lower selection grade sorters to the Railway Mail Service. 932.

Restoration to his original grade of Inspector of Babu Govind Prasad Tandon, Railway Mail Service. 932.

Slaughter of wild cows, etc., at Manjha Guptar Ghat in Ajodhia 558-59.

**Question (supplementary) *re*—**

Average period of service of different arms of the British Army. 167-68.

Condition of the sugar cultivation and sugar industry in the area affected by the earthquake in Bihar. 700.

Disposal of molasses in sugar factories. 361-62.

Indian Medical Service. 367.

Recruitment to the Army in India Reserve of Officers. 355.

Textile Agreement between the Bombay millowners and Lancashire delegation. 548.

**Reserve Bank of India Bill—**

Consideration of clause 2. 113-14, 115.

Consideration of clause 4. 116-17, 118, 120-21, 123-24.

Consideration of clause 8. 125-26, 126-27, 128-29, 129.

**MEHROTRA, THE HONOURABLE RAI BAHADUR LALA MATHURA PRASAD—*concl.***

**Reserve Bank of India Bill—*contd.***

Consideration of clause 9. 130.

Consideration of clause 13. 131.

Consideration of clause 14. 132.

Consideration of clause 15. 133.

Consideration of clause 17. 136.

Consideration of clause 40. 137-38.

Consideration of Third Schedule. 141-42.

Motion to pass. 152-55.

**Resolution *re*—**

Establishment of an Imperial Council on Co-operation. 486-89, 492-93.

New scales of pay for the imperial services at reduced rates of pay. 407.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 15.

Reference of important Bills to Joint Select Committees 437-40, 446, 450, 451-52.

**Salt Additional Import Duty (Extending) Bill—**

Motion to introduce. 634.

**Sugar-cane Bill—**

Motion to consider. 916, 918-20, 922.

Consideration of clause 3. 935.

Consideration of clause 1. 935-37, 938.

Motion to pass. 943, 945-47, 950, 954.

**Sugar (Excise Duty) Bill—**

Motion to consider. 859, 871-79.

Consideration of clause 2. 893.

Consideration of clause 3. 893-94, 895-96, 897-98.

Consideration of clause 11. 899-901, 902.

Motion to pass. 904-05, 906.

**Wheat Import Duty (Extending) Bill—**

Motion to consider. 369.

**MEHTA, THE HONOURABLE SIR HOMI—**

Election of — to the Central Advisory Council for Railways. 847.

General discussion of the General Budget for 1934-35. 291-94, 351.

**Indian Tariff (Amendment) Bill—**

Motion to consider. 753-91.

**Indian Tariff (Textile Protection) Amendment Bill—**

Motion to consider. 766, 771, 774, 775, 776-83, 793, 794, 798, 799, 801.

**Reserve Bank of India Bill—**

Motion to consider. 56, 65, 66, 67, 68, 82, 83, 85-92.

Motion to pass. 145, 146, 155.



**MEHTA, THE HONOURABLE SIR HOMI—**  
*contd.*

**Resolution re—**

Composition of Indian delegations to imperial and international conferences. 524-25.

Donation to Bihar Earthquake Relief Fund. 413, 417, 418.

Gold passes. 399-400.

Publication of the report of the Capitation Rate Tribunal, etc. 501, 506, 507.

**MENON, THE HONOURABLE DIWAN BAHADUR SIR K. RAMUNNI—**

Oath of Office. 699.

**MESSAGE—**

— from His Excellency the Governor General appointing days for the presentation and general discussion of the General Budget. 14.

— from His Excellency the Governor General appointing days for the presentation and general discussion of the Railway Budget. 13.

— from His Excellency the Governor General directing that the heads of expenditure specified in sub-section (3) of section 67A of the Government of India Act shall be open to discussion when the Budget is under consideration. 14.

— from His Excellency the Governor General nominating Members of the Council of State to be on the Panel of Chairman. 13.

**METCALFE, THE HONOURABLE MR. H. A. F.—**

Oath of Office. 1.

**METEOROLOGICAL DEPARTMENT—**

See "INDIAN —."

**MIDNAPORE—**

See "ROYAL GARHWAL REGIMENT."

**MILITARY GARRISON—**

Question re — at Chittagong. 549.

**MILITARY GRASS FARM, MANJHA—**

Statement (laid on the table) re slaughter of wild cattle at the —. 655.

**MILITARY HORSES—**

Question re import of —, race horses and mules. 425-26.

**MILLER, THE HONOURABLE MR. E.—**

Election of — to the Standing Committee for Roads. 747.

General discussion of the General Budget for 1934-35. 297-301.

General discussion of the Railway Budget for 1934-35. 203-06.

Indian Finance Bill, 1934—

Motion to consider. 571-72.

Nomination of — to the Panel of Chairmen. 13.

Question (short notice) re appointment of a Joint Committee of both Houses to examine the working of the Ottawa Agreement. 645-46.

Question (supplementary) re appointment of a Joint Committee of both Houses to examine the working of the Ottawa Agreement. 647.

Reserve Bank of India Bill—

Motion to consider. 43.

Resolution re—

Gold passes. 398-99.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 16.

**MILLOWNERS—**

See "BOMBAY —."

**MINISTERIAL OFFICERS' UNION, BOMBAY—**

See "CENTRAL BOARD OF REVENUE —."

**MINORITY COMMUNITIES—**

Question re representation of — in the services. 556.

**MISAPPROPRIATION—**

Question re fraud and — on the Eastern Bengal Railway. 7.

**MITCHELL, THE HONOURABLE MR. D. G.—**

Motion for the election of three non-official Members to the Standing Committee for Roads. 656.

Resolution re—

Road Development Fund. 827-32, 834-35.

Survey of the position of Indian industries. 434-35.

Trade Disputes (Extending) Bill—

Motion to consider. 847-48, 849-50.

Motion to pass. 850.

**MITHA, THE HONOURABLE SIR SULEMAN CASSIM HAJI—**

Election of — to the Standing Committee on Pilgrimage to the Hejaz, vice the Honourable Mr. Hossain Imam, resigned. 698.

General discussion of the General Budget for 1934-35. 336.

Oath of Office. 285.

**MITTER, THE HONOURABLE SIB  
BROJENDRA—**

Indian States (Protection) Bill—  
Motion to consider. 674, 676, 677.  
Consideration of clause 2. 702-04.  
Consideration of clause 3. 708-10,  
711.

**MOLASSES—**

Question *re* disposal of — in sugar  
factories. 361-62.

**MOTI CHAND, RAJA SIR—**

Expressions of regret in connection  
with the death of —. 495-97.

**MOTION *re*—**

Committee to enquire into and report  
on the working of and results  
achieved from the Ottawa Agree-  
ment. 964-68.

**MOTOR CARS—**

Question *re* special concession rate for  
conveyance of — belonging to  
railway officers. 644.

**MOTOR OMNIBUSES—**

Question *re* compulsory insurance by  
— against passengers' and third  
party risks. 364.

**MUHAMMAD DIN, THE HONOURABLE  
KHAN BAHADUR CHAUDRI—**

Election of — to the Standing  
Committee on Pilgrimage to the  
Hejaz. 174.

General discussion of the General  
Budget for 1934-35. 336.

Reserve Bank of India Bill—

Motion to consider. 92-93.

Resolution *re* donation to Bihar  
Earthquake Relief Fund. 416.

Wheat Import Duty (Extending)  
Bill—

Motion to consider. 369.

**MUHAMMAD HUSSAIN, THE HONOURABLE  
MIAN ALI BAKSH—**

Election of — to the Central  
Advisory Council for Railways.  
847.

**MULES—**

Question *re* import of military horses,  
race horses and —. 425-26.

**MULLA, THE RIGHT HONOURABLE SIR  
DINSHAW—**

Expressions of regret in connection  
with the death of —. 934.

**MUSLIM EMPLOYEES' ASSOCIATION,  
LUCKNOW—**

See "EAST INDIAN RAILWAY —."

**MUSLIMS—**

**Question *re*—**

Appointment of — as High  
Commissioner and Indian Trade  
Commissioner. 808.

Percentage of Bengal — in the  
Customs Office, Calcutta. 809.

Representation of — in the  
Agent's Office, East Indian Rail-  
way and Agent's Office, Eastern  
Bengal Railway. 543.

Representation of — in the  
Central Publication Branch. 551-  
52.

See "BENGAL —".

See "BIHAR AND ORISSA —."

**MYMENSINGH-JAGANNATHGANJ SECTION—**

Question *re* retrenchment in the  
Dacca-Narayanganj and —,  
Eastern Bengal Railway. 8.

**N**

**NAG, SAILESH CHANDRA—**

Question *re* —, detenu in the Deoli  
Detention Jail. 76.

**NAIDU, THE HONOURABLE MR. Y.  
RANGANAYAKALU—**

General discussion of the General  
Budget for 1934-35. 343-44.

Indian Finance Bill, 1934—

Motion to consider. 580-82.

**NAIR, SIR SANKARAN—**

Expressions of regret in connection  
with the death of —. 940-44.

**NEHRU, PANDIT JAWAHARLAL—**

Question *re* non-payment of income-  
tax by —. 545.

**NEW CUSTOM HOUSE, BOMBAY—**

**Question *re*—**

Clerical establishment of the —.  
377.

Extent to which the clerical  
establishment of the —, parti-  
cipate in sports. 378.

Percentage of leave reserve in the  
clerical establishments of the  
Income-tax Office, Accountant  
General's Office, Post Office and  
the —. 377.

**NEW LINES—**

Question *re* construction of — on  
the Eastern Bengal Railway. 76-  
77.

**NEW SCALES OF PAY—**

**Resolution *re*—**

Further revision and reduction of  
the —, etc. 251-58.

— for the Imperial services at  
reduced rates. 403-11.

**NON-GAZETTED STAFF—**

Question *re* strength of gazetted and —, etc., in the offices under the Controller of Printing and Stationery. 554-55.

**NON-OFFICIAL DAY—**

Request by Honourable Members for the allotment of an extra —. 493.

**NOON, THE HONOURABLE NAWAB MALIK MOHAMMAD HAYAT KHAN—**

General discussion of the General Budget for 1934-35. 290.

General discussion of the Railway Budget for 1934-35. 220, 226, 233.

Indian States (Protection) Bill—

Motion to consider. 670.

Reserve Bank of India Bill—

Motion to consider. 43.

Resolution *re*—

Establishment of an Imperial Council on Co-operation. 491, 492.

Indianization of the Indian Civil Service. 32-33.

Sugar-cane Bill—

Motion to consider. 913, 924, 926.

Motion to pass. 941, 943.

Sugar (Excise Duty) Bill—

Motion to consider. 858-59.

Consideration of clause 11. 901.

Wheat Import Duty (Extending) Bill—

Motion to consider. 372.

**NOTES—**

Statement (laid on the table) *re* Commercial Treaties and — affecting India. 646.

**NOYCE, THE HONOURABLE SIR FRANK—**

Indian Finance Bill, 1934—

Consideration of clause 4 and Schedule I. 614-18, 618-19, 620, 621-22.

**O****OATH OF OFFICE—**

Clow, the Honourable Mr. A. G. 455.

Crothwaite, the Honourable Mr. H. S. 637.

Glancy, the Honourable Mr. B. J. 71, 637.

Hubback, the Honourable Mr. J. A. 1.

Kameshwar Singh of Darbhanga, the Honourable Maharajadhiraja Sir. 541.

Menon, the Honourable Diwan Bahadur Sir K. Ramunni. 699.

Metcalfe, the Honourable Mr. H. A. F. 1.

Mitha, the Honourable Sir Suleman Cassim Haji. 285.

**OATH OF OFFICE—contd**

Parsons, the Honourable Sir Alan. 269, 637.

Raza Ali, the Honourable Saiyid. 71.  
Sprawson, the Honourable Major-General C. A. 1

Taylor, the Honourable Mr. J. B. 1, 541.

Ugra, the Honourable Rai Sahib Pandit Gokaran Nath. 1.

Varma, the Honourable Mr. Sidheshwarj Frasad. 425, 651.

**OATMEAL—**

Question *re* investigations at the Pusa Institute in regard to the commercial possibilities of manufacturing pearl barley and — in India. 808.

**OMNIBUSES—**

See "MOTOR —."

**OTTAWA AGREEMENT—**

Motion *re* Committee to enquire into and report on the working of and results achieved from the —. 964-68.

Question (short notice) *re* appointment of a Joint Committee of both Houses to examine the working of the —. 645-46.

**OTTAWA TRADE AGREEMENT RULES, 1932—**

Statement (laid on the table) *re* amendments made in the —. 497-98.

**OUTRAGES—**

See "POLITICAL —".

**P****PADSHAH SAHIB BAHADUR, THE HONOURABLE SAIED MOHAMED—**

General discussion of the General Budget for 1934-35. 336-38.

General discussion of the Railway Budget for 1934-35. 240-42.

Indian States (Protection) Bill—

Motion to consider. 682-85.

Motion to pass. 729-31.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 769, 784-87.

Consideration of the Schedule, item 9. 826.

Motion *re* Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 965, 967.

Reserve Bank of India Bill—

Motion to consider. 97-100.

Motion to pass. 147-48.

Resolution *re*—

Laying of papers of the Joint Parliamentary Committee on the table. 477-80, 481.

**PADSHAH SAHIB BAHADUR, THE HONOURABLE SAIYED MOHAMED—contd.**

Resolution *re—contd.*

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 16-17.

Reference of important Bills to Joint Select Committees. 442-43.

**Sugar-cane Bill—**

Motion to consider. 914-16, 917.

**Sugar (Excise Duty) Bill—**

Motion to consider. 859-61, 871.

**PAINT—**

See "BLACK —."

**PANDIT, THE HONOURABLE SARDAR SHRI JAGANNATH MAHARAJ—**

General discussion of the General Budget for 1934-35. 305-07.

Indian States (Protection) Bill—

Motion to consider. 666-67.

**Question re—**

Central Board of Revenue Ministerial Officers' Union, Bombay. 378.

Clerical establishment of the New Custom House, Bombay. 377.

Employment of sons and near relatives of Government servants in Government offices. 379.

Extent to which the clerical establishment of the New Custom House, Bombay, participate in sports. 378.

Grant of compensatory allowances to Income-tax Officers and Assistant Income-tax Officers in Bombay City. 381-82.

Issue of general orders that graduates and matriculates should not be granted pay higher than the prescribed minima. 379.

Number of Income-tax Officers and Assistant Income-tax Officers appointed in the Income-tax Office, Bombay, during the last three years. 380.

Number of inspectors and examiners in the Income-tax Office, Bombay. 380-81.

Percentage of leave reserve in the clerical establishments of the Income-tax Office, New Custom House, Accountant General's Office and the Post Office in Bombay. 377.

Recruitment of other presidency men to offices in the Bombay Presidency. 379-80.

**PANEL OF CHAIRMEN—**

Message from His Excellency the Governor General nominating Members of the Council of State to be on the —. 13.

**PARSONS, THE HONOURABLE SIR ALAN—**

General discussion of the General Budget for 1934-35. 309.

**Matches (Excise Duty) Bill—**

Motion to consider. 955-57, 959-61.

Motion to pass. 962-63.

Oath of Office. 269, 637.

Presentation of the General Budget for 1934-35. 270-83.

**Resolution re—**

Donation to Bihar Earthquake Relief Fund. 413, 414-16, 417, 418, 420.

Gold passes. 400-02.

**Sugar (Excise Duty) Bill—**

Motion to consider. 850-52, 864, 867, 876, 880, 887-92.

Consideration of clause. 3. 893, 895, 896, 897, 898.

Consideration of clause 11. 901-02.

Motion to pass. 903.

**PASSENGER FARES—**

Question *re* — on railways. 543-44.

**PASSENGERS' AND THIRD PARTY RISKS—**

Question *re* compulsory insurance by motor omnibuses against —. 364.

**PASSES—**

See "GOLD —."

**PAY—**

**Question re—**

Issue of general orders that graduates and matriculates should not be granted — higher than the prescribed minima. 379.

— for future entrants to the Imperial or All-India Services. 367.

See "NEW SCALES OF —."

**PAY LIMITS—**

Question *re* differentiation in — for the purpose of title to unorthodox and orthodox quarters in Simla. 734-35.

**PEARL BARLEY—**

Question *re* investigations at the Fusa Institute in regard to the commercial possibilities of manufacturing — and oatmeal in India. 808.

**PERIOD OF SERVICE—**

Question *re* average — of different arms of the British Army. 167-68.

## PETITIONS, COMMITTEE ON—

Constitution of the —. 14.

## PLATFORM—

Question *re* provision of raised — and ladies' waiting room at Salar railway station on the Bandel-Barharwa Section, East Indian Railway. 175.

## POINT OF ORDER—

— raised that the Reserve Bank of India Bill was not in order as a Motion had been adopted that the Bill be referred to a Joint Select Committee, and until that Committee reported, it could not be considered within one year. 42.

## POLITICAL DEPARTMENT—

Question *re* number of officers holding high appointments in the — of the Government of India. 642.

## POLITICAL OUTRAGES—

Question *re* — in India from January, 1931 to February, 1934. 549.  
Statement (laid on the table) *re* — in India from January, 1931 to February, 1934. 844-46.

## FORT BLAIR—

See "CELLULAR JAIL, —."

## POSSESSION, SUCCESSION AND DISPOSAL OF PROPERTY—

Question *re* restrictions imposed when the title of Raja is conferred in regard to —. 356.

## POST OFFICE, BOMBAY—

Question *re* percentage of leave reserve in the clerical establishments of the Income-tax Office, New Customs House, Accountant General's Office and the —. 377.

## POSTS AND TELEGRAPHS DEPARTMENT—

Question *re* recruitment to subordinate services of the — in Bengal. 72-73.

## PRESIDENT, THE HONOURABLE THE—

Deprecatory remarks by — *re* absence of Members having Resolutions on the list of business and want of courtesy in sending timely notice to the Department concerned and to the Secretary of the Council. 35.

Deprecatory remarks by — *re* policy of Government in rushing the Indian Finance Bill, 1934, through the Council. 563-64.

## PRINTING AND STATIONERY—

See "CONTROLLER OF —."

## PROMOTION—

Question *re* — of day-extra staff in the Central Publication Branch. 553-54.

## PROPERTY—

See "POSSESSION, SUCCESSION AND DISPOSAL OF —." 356.

## PROTECTION—

Resolution *re* — to the silk industry. 258-67.

## PROVINCIAL MINISTERS—

See "CONFERENCE OF —."

## PROVINCIAL SERVICES—

Statement (laid on the table) *re* rules governing recruitment to the subordinate and — of the Government of Bombay. 647.

## PUBLICATION(S)—

Question *re*—  
Discrepancies in respect of — in the Central Publication Branch. 558.

— of the proceedings of the Conference of Provincial Ministers. 700.

Resolution *re* — of the report of the Capitation Rate Tribunal, etc. 499-519.

## PUBLIC DEBT OF INDIA—

Question *re* —. 10.

## PUBLIC SERVICE COMMISSION—

Question *re* expenditure incurred on the — and number of Indian Members. 643.

## PUSA INSTITUTE—

Question *re*—

Amount of loss at the — due to the earthquake. 808.

Government aid to Bihari employees of the —. 807.

Investigations at the — in regard to the commercial possibilities of manufacturing pearl barley and oatmeal in India. 808.

## QUARTERS—

Question *re*—

Comparative rents of — in Summer Hill and Bemlos. 733.

Desirability of revising existing rules for the allotment of "A" type — in Summer Hill. 735.

Desirability of revising existing rules governing allotment of higher class — in Simla to persons not entitled to house-rent. 735-36.

**QUARTERS—contd.**

**Question re—contd.**

Differentiation in pay limits for the purposes of title of unorthodox and orthodox — in Simla. 734-35.

Operation of rules for the allotment of unorthodox — in the case of Secretariat and Attached Office clerks. 734.

Preference to Secretariat clerks over Attached Office clerks in the allotment of — so long as the rent recoverable from the former is greater than that recoverable from the latter. 736.

Similarity of treatment to Secretariat and Attached Office clerks in calculation of rents of non-entitled —. 734.

**QUININE—**

Question *re* cinchona bark and —, etc. 2.

**R**

**RACE HORSES—**

Question *re* import of military horses, — and mules. 425-26.

**RAGHUNANDAN PRASAD SINGH, THE HONOURABLE RAJA—**

Indian Finance Bill, 1934—

Motion to consider. 572-73.

**Question re—**

Adoption of a uniform system of construction of smaller third class carriages. 561.

Annual cost of transport of troops in 1913-14, 1925-26 and 1933-34. 562.

Bihar earthquake. 541-42.

Change in programme of construction of third class carriages. 560.

Lavatories in third class carriages. 560.

Minimum charge for reserved compartments on railways. 559-60.

Number of British units in the Indian Army. 561-62.

Resolution *re* composition of Indian delegations to imperial and international conferences. 526-27.

**RAILWAY(S)—**

Assam Bengal —

Question *re* railway bridge over Meghna River, —. 72.

Central Advisory Council for —

Election of six non-official Members to the —. 747.

Motion for the election of six non-official Members to the —. 647.

**RAILWAY(S)—contd.**

Central Advisory Council for — *contd.*

Nominations for the election of six non-official Members to the —. 698.

Request by the Honourable Rai Bahadur Lala Jagdish Prasad that if the proceedings of the — is circulated to Members of the Assembly, Government would be pleased to circulate them to the Members of the Council also. 647.

Result of the election of six non-official Members to the —. 847.

East Indian—

**Question re**

— Muslim Employees' Association, Lucknow. 363.

Hardwar railway station, —. 739.

Provision of raised platform and ladies' waiting room at Salar railway station on the Bandel-Barharwa Section, —. 175.

Representation of Muslims in the Agent's Office, —, and Agent's Office, Eastern Bengal Railway. 543.

Use of black paint on the —. 359-60.

Statement (laid on the table) *re* use of black paint by the Eastern Bengal and —. 746.

Eastern Bengal —

**Question re—**

Barrackpore Racecourse Extension, —. 543.

Construction of new lines on the —. 76-77.

Executive Engineer's Office, Dacca, —. 8.

Fraud and misappropriation on the —. 7.

Guard E. I. Wright, —. 9, 9-10.

Representation of Muslims in the Agent's Office, East Indian Railway, and Agent's Office, —. 543.

Retrenchment in the Dacca-Narayanganj and Mymensingh-Jaganathganj Sections, —. 8.

Use of black paint on the —. 359.

Statement (laid on the table) *re* use of black paint by the East Indian and —. 746.

Miscellaneous—

**Question re—**

Construction of a — line from Kashipur to Kalagarh. 357.

Minimum charge for reserved compartments on —. 559-60.

Passenger fares on —. 543-44.

**RAILWAY(s)—concl'd.****State—**

Question *re* quantity and class of timber purchased by —. 736-39.

Resolution *re* communal representation on —. 481-86.

**State-managed—**

Resolution *re* economy on —. 455-65

See "LIGHT —."

**RAILWAY BRIDGE—**

Question *re* — over Meghna River, Assam Bengal Railway. 72.

**RAILWAY BUDGET—**

General discussion of the — for 1934-35. 197-246.

Message from His Excellency the Governor General appointing days for the presentation and general discussion of the —. 13.

Presentation of the — for 1934-35. 168-73.

**RAILWAY EMPLOYEES—**

Question *re* grant of extensions of service to — who produce evidence showing that their ages are less than that shown in their service sheets. 839.

**RAILWAY LINE—**

Question *re* construction of a — from Kashipur to Kalagarh. 357-58.

**RAILWAY MAIL SERVICE—****Question re—**

Inspectors and lower selection grade sorters of the —. 931-32.

Method employed in recruitment of inspectors and lower selection grade sorters to the —. 932.

Restoration to his original grade of inspector of Babu Govind Prasad Tandon, —. 932.

**RAILWAY OFFICERS—**

Question *re* special concession rate for conveyance of motor cars belonging to —. 644.

**RAM SARAN DAS, THE HONOURABLE RAI BAHADUR LALA—**

Election of — to the Central Advisory Council for Railways. 347.

General discussion of the General Budget for 1934-35. 285-89, 290, 309, 312.

General discussion of the Railway Budget for 1934-35. 197-203, 226, 236, 237.

Indian Medical Council (Amendment) Bill—

Motion to pass. 375.

Indian States (Protection) Bill—

Motion to consider. 692.

**RAM SARAN DAS, THE HONOURABLE RAI BAHADUR LALA—cont'd.**

Indian Tariff (Amendment) Bill—

Motion to consider. 182-83, 187.

Consideration of Schedule. 194-95.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 755-56.

Consideration of the Schedule, item 9. 820-23, 824, 826.

Motion *re* Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 964, 965, 966.

Nomination of — to the Panel of Chairmen. 13.

**Question re—**

Anglo-Soviet Agreement. 641.

Definition of "Harijans" or "Depressed Classes" for purposes of election. 642.

Names and postings of entrants to the superior services during the last twelve months. 639-41.

Reserve Bank of India Bill—

Motion to consider. 43-47, 49.

**Resolution re—**

Communal representation on State Railways. 481-83, 485-86.

Donation to Bihar Earthquake Relief Fund. 411-14, 415, 419-21.

Establishment of an Imperial Council on Co-operation. 491-92

Laying of papers of the Joint Parliamentary Committee on the table. 476-77.

New scales of pay for the imperial services at reduced rates of pay. 407-08, 409, 410.

Protection to the silk industry. 265-66.

Publication of the report of the Capitation Rate Tribunal, etc. 499-502, 508, 509, 518-19.

Recruitment to the Indian Medical Service. 391.

Reference of important Bills to Joint Select Committees. 448-49.

Survey of the position of Indian industries. 435-36.

**Sugar-cane Bill—**

Motion to consider. 908-10, 921, 923, 927, 929.

Motion to pass. 939-44, 948, 949, 951, 953, 954.

**Sugar (Excise Duty) Bill—**

Motion to consider. 861-65

Motion to pass. 905, 906.

Wheat Import Duty (Extending) Bill—

Motion to consider. 369-70, 373.

**RAY OF DINAJPUR, THE HONOURABLE MAHARAJA JAGADISH NATH—**

General discussion of the General Budget for 1934-35. 345-47.

Indian Finance Bill, 1934—

Motion to consider. 583-85.

**RAY OF DINAJPUR, THE HONOURABLE  
MAHARAJA JAGADISH NATH—*contd.***

**Indian Tariff (Amendment) Bill—**  
Motion to consider. 179-81.

**Question *re*—**

Compulsory insurance by motor omnibuses against passengers' and third party risks. 364.

Linking up of Darjeeling with Calcutta, etc., by aeroplane, etc. 365.

Loans for road development. 363.

Medical arrangements on steamers going to the Andamans. 365.

Number and names of light railways that have to compete with road transport. 364.

**Reserve Bank of India Bill—**  
Motion to consider. 58-59.

**RAZA ALI, THE HONOURABLE SAIYID—**

**Indian Finance Bill, 1934—**  
Motion to consider. 597.

Consideration of clause 5. 623-25.

**Indian States (Protection) Bill—**  
Motion to consider. 674, 676, 693-95.  
Motion to pass. 722, 723, 726-29.

**Matches (Excise Duty) Bill—**  
Consideration of clause 7. 961-62.  
Motion to pass. 963.

**Oath of Office. 71.**

**Question (supplementary) *re*—**

Admission of Ceylonese to the Indian Civil Service. 362.

Amount of loss at the Pusa Institute due to the earthquake. 808.

Construction of a railway line from Kashipur to Kalagarh. 358.

East Indian Railway Muslim Employees' Association, Lucknow. 363.

Economic enquiry. 77-78.

Recruitment to subordinate services of the Posts and Telegraphs Department in Bengal. 73.

**Reserve Bank of India Bill—**  
Consideration of clause 4. 118.  
Consideration of clause 8. 127-28.

**Resolution *re*—**

New scales of pay for the imperial services at reduced rates of pay. 408-09.

Recruitment to the Indian Medical Service. 387-90, 393, 394.

**Sugar-cane Bill—**

Motion to consider. 917, 919, 920-23.

Consideration of clause 3. 934-35.  
Motion to pass. 946.

**Sugar (Excise Duty) Bill—**

Motion to consider. 870, 879-83, 885.

**RECRUITING—**

Question *re* cost of — and training a British infantry soldier. 637-38.

**RECRUITMENT—**

**Question *re*—**

Method employed in — of inspectors and lower selection grade sorters to the Railway Mail Service. 932.

— in the Central Publication Branch after transfer. 553.

— of other presidency men to offices in the Bombay Presidency. 379-80.

— to subordinate services of the Posts and Telegraphs Department in Bengal. 72-73.

— to the Army in India Reserve of Officers. 355.

**Resolution *re* — to the Indian Medical Service. 382-96.**

**Statement (laid on the table) *re* rules governing — to the provincial and subordinate services of the Government of Bombay. 647.**

**REDDI, THE HONOURABLE SIR KURMA VENKATA—**

Congratulations to — on his appointment to the Executive Council of Madras. 563.

Election of — to the Standing Committee on Emigration. 247.

General discussion of the General Budget for 1934-35. 310-14.

General discussion of the Railway Budget for 1934-35. 206-11, 239.

**Indian Finance Bill, 1934.**  
Motion to consider. 603.

**Indian Tariff (Amendment) Bill—**  
Motion to consider. 183-84, 189, 191.

**Reserve Bank of India Bill—**  
Motion to consider. 48-55, 60, 68.  
Consideration of clause 2. 114.  
Motion to pass. 155-57.

**Resolution *re*—**

Composition of Indian delegations to imperial and international conferences. 528-29, 536.

Establishment of an Imperial Council on Co-operation. 489.

Laying of papers of the Joint Parliamentary Committee on the table. 473-76.

Placing on record the deep sympathy of the Council with sufferers in the recent earthquake 15-16.

Protection to the silk industry. 263-65.

Recruitment to the Indian Medical Service. 388.

Reference of important Bills to Joint Select Committees. 445-46, 448.

**Wheat Import Duty (Extending) Bill—**

Motion to consider. 371.



**REGISTRARS OF CO-OPERATIVE SOCIETIES—**  
See "CONFERENCE OF —."

**RELIEF COMMITTEES—**  
Question *re* — in Bihar. 545-46.

**RENTS—**  
Question *re*—  
Comparative — of quarters in Summer Hill and Bemloe. 733.  
Preference to Secretariat clerks over Attached Office clerks in the allotment of quarters so long as the — recoverable from the former is greater than that recoverable from the latter. 736.  
Similarity of treatment to Secretariat and Attached Office clerks in calculation of — of non-entitled quarters. 734.

**RESERVE—**  
Question *re* percentage of Indian Medical Service officers kept in — for civil employment. 643-44.

**RESERVE BANK OF INDIA BILL—**  
See "—" under "BILL(s)".

**RESERVE OF OFFICERS—**  
See "ARMY IN INDIA —".

**RESERVED COMPARTMENTS—**  
Question *re* minimum charge for — on railways. 559-60.

**RESOLUTION *re*—**  
Communal representation on State Railways. 481-86.  
Composition of Indian delegations to imperial and international conferences. 519-38.  
Donation to Bihar Earthquake Relief Fund. 411-21.  
Economy on State-managed Railways. 455-65.  
Establishment of an Imperial Council on Co-operation. 486-93.  
Further revision and reduction of the new scales of pay, etc. 251-58.  
Gold passes. 396-403.  
Indianization of the Indian Civil Service. 23-35.  
Laying of papers of the Joint Parliamentary Committee on the table. 465-81.  
New scales of pay for the imperial services at reduced rates. 403-11.  
Placing on record the deep sympathy of the Council with sufferers in the recent earthquake. 14-19.  
Protection to the silk industry. 258-67.  
Publication of the report of the Capitation Rate Tribunal, etc. 499-519.  
Recruitment to the Indian Medical Service. 382-96.  
Reference of important Bills to Joint Select Committees. 437-54.  
Survey of the position of Indian industries. 428-37.

## RESOLUTIONS—

Deprecatory remarks by the Honourable the President *re* absence of Members having — on the list of business and want of courtesy in sending timely notice to the department concerned and to the Secretary of the Council. 35.

Question *re* Economic Conference and — recorded. 807.

## RETRENCHMENT—

Question *re* — in the Dacca-Narayanganj and Mymensingh-Jagannathanjan Sections, Eastern Bengal Railway. 8.

## REVENUE—

Question *re* — derived from income-tax in each province. 644-45.

## ROAD DEVELOPMENT—

Question *re* loans for —. 363.

## ROAD DEVELOPMENT FUND—

Resolution *re* —. 827-35.

## ROAD TRANSPORT—

Question *re* number and names of light railways that have to compete with —. 364.

## ROADS—

Election of three non-official Members to the Standing Committee for —. 747.

Motion for the election of three non-official Members to the Standing Committee for —. 656.

## ROYAL AIR FORCE—

Question *re* Indians in the Indian and —. 75.

## ROYAL GARHWAL REGIMENT—

Question *re* certain alleged events in connection with the visit of the — to Midnapore. 358.

## RULES—

Question *re*—

Desirability of revising existing — for the allotment of "A" type quarters in Summer Hill. 735.

Desirability of revising existing — governing allotments of higher class quarters in Simla to persons not entitled to house-rent. 735-36.

Operation of — for the allotment of unorthodox quarters in the case of Secretariat and Attached Office clerks. 734.

**RULING—**

**Adjournment—**

— of the House rests entirely with the Chair. 917.

**Amendment—**

An — which changes the entire character of a Resolution is not in order. 489.

Moving of an — for the omission of a clause to a Bill is not in order as it has the effect of a negative vote. 137, 704.

Moving of an — which is in entire conflict with the provisions of the Government of India Act is not in order. 115.

Present practice of not permitting one Member to delegate the moving of any Resolution or — to another Member will continue. 115.

**Bill—**

All further discussion should terminate when the Government Member in charge states that a — has been introduced. 267.

Any member is entitled to speak on the clauses of a — when they come up for consideration. 935.

Discussion of the provisions of a private — in detail is unnecessary when there is no Government opposition. 423.

Moving of an amendment for the omission of a clause to a — is not in order as it has the effect of a negative vote. 137, 704.

**Circulation—**

Motion for — not in order where a — having passed one Chamber comes to the Second Chamber. 754-55.

**Chair—**

Adjournment of the House rests entirely with the —. 917.

**Miscellaneous—**

Not parliamentary practice to refer to speakers' utterances outside the Council. 444.

**Point of Order—**

— raised against the consideration of the Reserve Bank of India Bill was not sustainable as notice should have been given. 42.

See "POINT OF ORDER".

See "RESERVE BANK OF INDIA BILL" under "BILL(S)".

**RULING—contd.**

**Question(s)—**

Members desirous of putting — standing against the names of absent Members should, in all cases, produce a written authorization from the Members absent and hand same to the Chair before the commencement of the meeting at which the — is to be asked. 652-55.

Members should not ask for permission to put — on behalf of absent Members unless they have the permission of those absent Members. 642.

**Question (Supplementary)—**

When a — does not arise out of the original question, notice should be given. 362.

**Resolution—**

An amendment which changes the entire character of a — is not in order. 489.

Present practice of not permitting one Member to delegate the moving of any — or amendment to another Member will continue. 115.

**Select Committees—**

Proceedings of — are of a confidential nature and should not be referred to in debate. 87.

**Speeches—**

Quotations of — made in the Legislative Assembly should be from the official reports. 152.

— made in the other Chamber during the currency of a session should not be quoted. 768-69.

**RURAL POPULATION—**

Question *re* underfeeding of —. 38.

**RUSSELL, THE HONOURABLE SIR GUTHRIE—**

Motion for the election of six non-official Members to the Central Advisory Council for Railways. 647

Presentation of the Railway Budget for 1934-35. 168-73.

**Question *re*—**

Communal representation on State Railways. 483, 485.

Economy on State-managed Railways. 461-63.

Gold passes. 402.

**RYAN, SIR THOMAS—**

Expression of regret in connection with the death of —. 427-28.

**S**

**SALAR RAILWAY STATION—**

Question *re* provision of raised platform and ladies' waiting room at — on the Bandel-Barharwa Section, East Indian Railway. 175.

## SALT ADDITIONAL IMPORT DUTY (EXTENDING) BILL—

See "—" under "BILL(s)".

## SCHUSTER, THE HONOURABLE SIR GEORGE—

General discussion of the General Budget for 1934-35. 306, 331, 349-54.

## SECRETARIAT CLERKS—

Question *re*—

Operation of rules for the allotment of unorthodox quarters in the case of Attached Office and —. 734.

Preference to — over Attached Office clerks in the allotment of quarters so long as the rent recoverable from the former is greater than that recoverable from the latter. 736.

Similarity of treatment to Attached Office and — in calculation of rent of non-entitled quarters. 734.

## SECURITY PRINTING, NARIK—

Question *re*—

Currency Note Press, —. 249 —. 249.

## SELECT COMMITTEES—

See "JOINT —".

## SETHNA, THE HONOURABLE SIR PHIROZE—

Resolution *re*—

Communal representation on State Railways. 484-85.

Laying of papers of the Joint Parliamentary Committee on the table. 469-73.

Reference of important Bills to Joint Select Committees. 443-45.

## SILK INDUSTRY—

Resolution *re* protection to the —. 258-67.

## SINHA, THE HONOURABLE KUMAR NRIPENDRA NARAYAN—

General discussion of the General Budget for 1934-35. 344-45.

Resolution *re*—

Economy on State-managed Railways. 460-61.

Survey of the position of Indian industries. 433.

## SKINS—

Question *re* export duty on hides and —. 356.

## SLAUGHTER—

Question *re* — of wild cows, etc., at Manjha Gupkar Ghat in Ajodhia. 558-59.

Statement (laid on the table) *re* — of wild cattle at the Military Grass Farm, Manjha. 655.

## SOLDIER(s)—

See "BRITISH INFANTRY —".

See "INDIAN —".

## SORTERS—

Question *re*—

Inspectors and lower selection grade — of the Railway Mail Service. 931-32.

Method employed in recruitment of inspectors and lower selection grade — to the Railway Mail Service. 932.

## SPORTS—

Question *re* extent to which the clerical establishment of the New Custom House, Bombay, participate in —. 378.

## SPRAWSON, THE HONOURABLE MAJOR-GENERAL C. A.—

Oath of Office. 1.

Resolution *re* recruitment to the Indian Medical Service. 390-92, 396.

## STAFF—

Question *re* inadequate — in the Central Publication Branch. 537.

## STANDING COMMITTEE FOR ROADS—

Election of three non-official Members to the —. 747.

Motion for the election of three non-official Members to the —. 656.

## STANDING COMMITTEE FOR THE DEPARTMENT OF EDUCATION, HEALTH AND LANDS—

Election of two non-official Members to the — to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage". 247.

Motion for the election of two non-official Members to the — to advise on subjects other than "Indians Overseas—Emigration" and "Haj Pilgrimage". 173.

## STANDING COMMITTEE ON EMIGRATION—

Election of a non-official Member to the — *vice* the Honourable Sir Kurma Venkata Reddi. 747.

Election of four non-official Members to the —. 247.

Motion for the election of a non-official Member to the — *vice* the Honourable Sir Kurma Venkata Reddi. 656.

Motion for the election of four non-official Members to the —. 174.

**STANDING COMMITTEE ON PILGRIMAGE TO THE HWAZ—**

Election of one non-official Muslim Member to the — *vice* the Honourable Mr. Hossain Imam, resigned. 698.

Election of two non-official Members to the —. 174.

Motion for the election of one Muslim non-official Member to the — *vice* the Honourable Mr. Hossain Imam, resigned. 648.

Motion for the election of two non-official Muslim Members to the —. 19-20.

Nominations for the election of two non-official Muslim Members to the —. 22.

**STATE RAILWAYS—**

See "—" under "RAILWAY(s)".

**STATE-MANAGED RAILWAYS—**

See "—" under "RAILWAY(s)".

**STATEMENT (LAID ON THE TABLE) re—**

Amendments made in the Ottawa Trade Agreement Rules, 1932. 497-98.

Commercial Treaties and Notes affecting India. 646.

Death of Hari Pada Bagchi, detainee in the Deoli Detention Jail. 13.

Income-tax Officers, Bengal. 11-12.

Political outrages in India from January, 1931 to February, 1934. 844-66.

Rules governing recruitment to the provincial and subordinate services of the Government of Bombay. 647.

Slaughter of wild cattle at the Military Grass Farm, Manjha. 655.

Transport of troops between England and India. 655-66.

Use of black paint by the East Indian and Eastern Bengal Railways. 746.

**STATEMENT OF BUSINESS—**

— by the Honourable the Leader of the House. 32, 165, 283, 376, 538, 636, 649, 732, 836.

**STATES (PROTECTION) BILL—**

See "INDIAN —" under "BILL(s)".

**STEAMERS—**

Question *re* medical arrangements on — going to the Andamans. 365.

**STEEL AND WIRE INDUSTRIES PROTECTION (EXTENDING) BILL—**

See "—" under "BILL(s)".

**STEWART, THE HONOURABLE MR. T. A.—**

Cotton Textile Industry Protection (Amendment) Bill—

Motion to consider. 375.

Motion to pass. 375.

**STEWART, THE HONOURABLE MR. T. A.—  
contd.**

**Indian Tariff (Amendment) Bill—**

Motion to consider. 175-78, 186, 191-92.

Consideration of Schedule. 195.

Motion to pass. 195.

**Indian Tariff (Textile Protection).  
Amendment Bill—**

Motion to consider. 748-54, 764, 773, 798, 811, 814-18.

Consideration of the Schedule, item 9. 818, 819-20, 824, 826-27.

Motion to pass. 827.

Motion *re* Committee to enquire into and report on the working of and results achieved from the Ottawa Agreement. 964, 965, 968.

Resolution *re* protection to the silk industry. 265, 266.

**Steel and Wire Industries Protection (Extending) Bill—**

Motion to consider. 375-76.

Motion to pass. 376.

**Wheat Import Duty (Extending) Bill—**

Motion to consider. 367-68, 372-73.

Motion to pass. 373.

**SUBORDINATE SERVICES—**

Question *re* recruitment to — of the Posts and Telegraphs Department in Bengal. 72-73.

Statement (laid on the table) *re* rules governing recruitment to the provincial and — of the Government of Bombay. 647.

**SUGAR—**

Question *re* imports of — and sugar candy. 362.

**SUGAR CANDY—**

Question *re* imports of sugar and —. 362.

**SUGAR-CANE BILL—**

See "—" under "BILL(s)".

**SUGAR CULTIVATION—**

Question *re* condition of — and sugar industry in the area affected by the earthquake in Bihar. 699-700.

**SUGAR (EXCISE DUTY) BILL—**

See "—" under "BILL(s)".

**SUGAR FACTORIES—**

Question *re* disposal of molasses in —. 361-62.

**SUGAR INDUSTRY—**

Question *re* condition of the sugar cultivation and — in the area affected by the earthquake in Bihar. 699-700.

**SUHRAWARDY, THE HONOURABLE MR. MAHMOOD—**

Election of — to the Standing Committee on Emigration. 247.

General discussion of the General Budget for 1934-35. 289-91, 293, 294, 313.

General discussion of the Railway Budget for 1934-35. 216-17.

Indian Finance Bill, 1934—

Motion to consider. 573-74, 576.

Indian States (Protection) Bill—

Motion to consider. 669-70.

Indian Tariff (Amendment) Bill—

Motion to consider. 181-82.

Indian Tariff (Textile Protection) Amendment Bill—

Motion to consider. 775-76, 778.

Question *re* grant of extensions of service to railway employees who produce evidence showing that their ages are less than that shown in their service sheets. 839.

Question (supplementary) *re* appointment of a Joint Committee of both Houses to examine the working of the Ottawa Agreement. 646.

Reserve Bank of India Bill—

Motion to consider. 43, 47-48.

Motion to pass. 151.

Resolution *re*—

Composition of Indian delegations to imperial and international conferences. 523-24.

Gold passes. 396-98, 399, 400, 401, 402-03.

Indianization of the Indian Civil Service. 34.

Salt Additional Import Duty (Extending) Bill—

Motion to introduce. 632-34.

Wheat Import Duty (Extending) Bill—

Motion to consider. 371.

**SUMMER HILL—**

Question *re*—

Comparative rents of quarters in — and Bemloe. 733.

Desirability of revising existing rules for the allotment of "A" type quarters in —. 735.

**SUPERIOR SERVICES—**

Question *re* names and postings of entrants to the — during the last twelve months. 639-41.

**T****TANDON, BABU GOVIND PRASAD—**

Question *re* restoration to his original grade of inspector of —, Railway Mail Service. 932.

**TARIFF (AMENDMENT) BILL—**

*See* "INDIAN —" under "BILL(s)".

**TARIFF (SECOND AMENDMENT) BILL—**

*See* "INDIAN —" under "BILL(s)".

**TARIFF (TEXTILE PROTECTION) AMENDMENT BILL—**

*See* "INDIAN —" under "BILL(s)".

**TATA IRON AND STEEL CO., LTD.—**

Question *re* —. 10-11.

**TAYLOR, THE HONOURABLE MR. J. B.—**

Imperial Bank of India (Amendment) Bill—

Motion to consider. 163.

Motion to pass. 165.

**Indian Finance Bill, 1934—**

Motion to consider. 565-66, 604-07.

Consideration of clause 2. 609-10, 612.

Consideration of clause 5. 626.

Consideration of Schedule II, clause 5. 627-28.

Motion to pass. 628, 631.

Oath of Office. 1, 541.

**Reserve Bank of India Bill—**

Motion to consider. 38-42, 105-11.

Consideration of clause 2. 113, 114.

Consideration of clause 4. 118-19, 120, 121, 122-23, 124-25.

Consideration of clause 8. 126, 127, 129, 130.

Consideration of clause 9. 130.

Consideration of clause 13. 131.

Consideration of clause 14. 132.

Consideration of clause 15. 135, 136.

Consideration of clause 17. 136-37.

Consideration of clause 40. 139-40.

Consideration of clause 48. 141.

Consideration of Third Schedule. 142-43, 144.

Consideration of Fifth Schedule. 144.

Consideration of clause 1. 144.

Motion to pass. 144, 153, 154, 162-63.

Resolution *re* further revision and reduction of the new scales of pay, etc. 254-57.

**Salt Additional Import Duty (Extending) Bill—**

Motion to consider. 631-32, 634-35.

Motion to pass. 635.

**TEA EXPORT LICENSES—**

Question *re* grant of — under the Tea Restrictions Scheme. 638-39.

**TEA RESTRICTIONS SCHEME—**

Question *re* grant of tea export licenses under the —. 638-39.

**TELEPHONE CHARGES, DACCA—**

Question *re* —. 71.

TELEPHONE LINE—

See "TRUNK —".

TEN-HOUR BASIS MEN—

Question re—

— in the Government of India Press, New Delhi. 550.  
Number of — in the Government of India Presses. 550-51.

TEXTILE AGREEMENT—

Question re — between the Bombay millowners and Lancashire delegation, 547-48.

THIRD CLASS CARRIAGES—

Question re—

Adoption of a unitary system of construction of smaller —, 561.  
Change in the programme of construction of —, 560.  
Lavatories in —, 560.

THIRD PARTY RISKS—

See "PASSENGERS' AND —".

TIMBER—

Question re quantity and class of — purchased by State Railways. 735-39.

TITLE OF RAJA—

Question re restrictions imposed when the — is conferred in regard to possession, succession and disposal of property. 356.

TRADE AGREEMENT—

See "INDO-JAPANESE —".

TRADE DISPUTES (EXTENDING) BILL—

See "—" under "BILL(S)".

TRAINING—

Question re cost of recruiting and — a British infantry soldier. 637 38.  
See "VOCATIONAL —".

TRANSPORT—

See "ROAD —".  
See "TROOPS".

TREATIES—

See "COMMERCIAL" —

TROOPS—

Question re annual cost of transport of — in 1913-14, 1925-26 and 1933-34. 562.  
Statement (laid on the table) re transport of — between India and England. 655-56.

TRUNK TELEPHONE LINE—

Question re — from Calcutta to Dacca. 73.

TRUSTS (AMENDMENT) BILL—

See "INDIAN —" under "BILL(S)".

GIPD—L102 LD—6.8.34—800.

U

UGRA, THE HONOURABLE RAI SAHIB  
PANDIT GOKARAN NATH—  
Oath of Office. 1.

UNDERFEEDING—

Question re — of rural population. 38.

V

VACANCIES—

Question re — that have occurred and been filled up in offices under the Controller of Printing and Stationery. 556-57.

VARMA, THE HONOURABLE MR. SIDHESHWARI PRASAD—

Oath of Office. 425, 651.

W

VOCATIONAL TRAINING—

Question re — of Indian soldiers with a view to employment in civil life after discharge 644.

WAITING ROOM—

See "LADIES' —".

WAR OFFICE—

Question re — and Army Headquarters. 3-4.

WATSON, SIR CHARLES—

Expressions of regret in connection with the death of —. 263.

WHEAT IMPORT DUTY (EXTENDING) BILL—

See "—" under "BILL(S)".

WILD CATTLE—

Statement (laid on the table) re slaughter of — at the Military Grass Farm, Manjha. 655.

WILD COWS—

Question re slaughter of —, etc., at Manjha Gupta Farm in Ajodhia. 558-59.

WRIGHT, GUY—

Question re — Eastern Bengal Railway. 510.

